**Alain Prestat**

*Make or break at Thomson Consumer Electronics*

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**European trucks**

*What Daf's demise reveals about the industry*

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**Male and female managers**

*H[illegible]eotypes flatter and deceive*

Page 10

**Attack of the vapours**

*Seeking a solution to solvent emissions*

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# FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY FEBRUARY 3 1993 — D8523A


## Fury at Mexico over air traffic control contract

Three multinationals have formally complained to Mexico about alleged irregularities in the award of a $21m contract for renewing Mexico's air traffic control system. Thomson of France has won the contract for the data processing system, and Alenia of Italy for the radars.

The complaints – from IBM, Westinghouse and Raytheon's Canadian subsidiary – come as the North American Free Trade Agreement awaits ratification in the US and Canada. Page 16; Tender upset in Mexico, Page 8

**Israeli offer rejected:** Israel's opposition Likud party attacked prime minister Yitzhak Rabin's offer to take back 100 of the more than 400 Palestinians expelled to Lebanon. The deportees have rejected the offer. Page 16; Scramble to preserve US links, Page 4

**Bronfman shares hit:** Shares of several companies controlled by Toronto's Bronfman family slid amid concern over losses at property and financial-service arms. Brascan, a key holding company, slipped by 62 cents to C$8.75. Page 17

**Finn opposition to EC grows:** Opposition among Finns to the country joining the European Community has risen by 12 percentage points in less than six months, with only 43 per cent of people in favour. Page 2

**IBM,** US computer company, is introducing aggressively priced workstation models in an attempt to capture the top slot in the $9bn computer workstation market by 1994. Page 18

**Patten faces minor heart surgery:**

Hong Kong governor Chris Patten was taken into hospital for minor heart surgery just weeks before his controversial political proposals go before the colony's legislature. Hong Kong stock prices climbed on the news, as brokers speculated on the tiny possibility that Mr Patten's illness would precipitate the end of the reform process. Page6

**Havel takes oath:** Vaclav Havel was sworn in as first president of the Czech Republic, six months after resigning as president of the Czechoslovak federation.

**UN vehicles attacked:** Gunmen ambushed UN trucks in Nangarhar province, eastern Afghanistan, killing four aid workers including a Briton, a Dutchman and two Afghan drivers. Page 4

**RJR Nabisco,** tobacco and food conglomerate, reported a small decline in operating profits during 1992. But lower financing charges helped the after-tax figure to rise sharply. Page 17

**Queen threatens legal action:** Solicitors acting for Britain's Queen are threatening legal action against a tabloid newspaper for alleged breach of copyright after it printed her Christmas Day speech two days early.

**Banque Bruxelles Lambert,** one of Belgium's biggest banks, revealed that its French subsidiary lost FFr540m ($100m) in 1992, mainly owing to provisions made against French property loans. Page 18

**SA police shoot taxi drivers:** Police shot dead two men and wounded several others when they opened fire on striking taxi drivers in central Johannesburg. Page 6

**UK scientist killed in Liberia:** The US embassy has accused Liberian militiamen of "wanton murder" after the shooting of British scientist Brian Garnham. Mr Garnham had been studying chimpanzees in the country for 20 years.

**Hoover pay deal:** Workers at Hoover's Scottish plant will receive one-off payments of about 20 per cent of annual wages for accepting the working practices deal that led to the closure of the household appliance maker's factory in France. Page 9

**Volcano blast kills 19:** Nineteen people died and at least 20 were missing in the Philippines after the Mayon volcano blasted out ash, triggering mudflows. More than 16,000 people fled what is believed to be a precursor to a full-scale eruption. Page 6

**Groundhog Day:** The groundhog in Punxsutawney, Pennsylvania, saw its shadow, forecasting another six weeks of winter, according to a tradition avidly followed in North America. An albino groundhog in Wiarton, Ontario, also saw its shadow.

**■ STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 2,834.4 | (-17.2) |
| Yield | 4.31 | |
| FT-SE Eurotrack 100 | 1,089.43 | (+1.42) |
| FT-A All-Share | 1,378.96 | (-0.4%) |
| Nikkei | 17,186.31 | (+52.67) |
| New York lunchtime | | |
| Dow Jones Ind Ave | 3,327.32 | (-4.86) |
| S&P Composite | 441.62 | (-0.90) |

**■ US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 3⅛% |
| 3-mo Treas Bills: Yld | 2.993% |
| Long Bond | 104 11/32 |
| Yield | 7.233% |

**■ LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 6⅛% | (6¼%) |
| Liffe long gilt future: | Mar 102⅛ | (Mar 102 3/16) |

**■ NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Mar) | $18.28 | (18.465) |

**■ Gold**

| | | |
|---|---|---|
| New York Comex (Feb) | $330.4 | (330.3) |
| London | $332.15 | (329.85) |

**■ STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.446 | |
| London: | | |
| $ | 1.446 | (1.4535) |
| DM | 2.375 | (2.38) |
| FFr | 8.0325 | (8.045) |
| SFr | 2.2025 | (2.205) |
| Y | 180.5 | (181.5) |
| £ Index | 77.1 | (77.4) |

**■ DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.64065 | |
| FFr | 5.5475 | |
| SFr | 1.5215 | |
| Y | 124.615 | |
| London: | | |
| DM | 1.642 | (1.637) |
| FFr | 5.555 | (5.535) |
| SFr | 1.5235 | (1.5175) |
| Y | 124.85 | (124.95) |
| $ Index | 67.2 | (67.0) |
| Tokyo close Y 124.9[illegible] | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ustria | Sch30 | Greece | Dr300 | Lux | LFr60 | Qatar | QR12.00 |
| ahrain | Din1.250 | Hungary | Ft162 | Malta | Lm0.60 | S.Arabia | SR11 |
| elgium | BFr60 | Iceland | IKr180 | Morocco | MDh13 | Singapore | S$4.10 |
| ulgaria | Lw25.00 | India | Rs40 | Neth | Fl 3.75 | Slovak Rp | Kcs45 |
| yprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira20 | Spain | Pta200 |
| ech Rp | Kcs45 | Israel | Shk5.90 | Norway | NKr16.00 | Sweden | SKr15 |
| enmark | DKr15 | Italy | L2700 | Oman | OR1.60 | Switz | SFr3.20 |
| gypt | E£4.50 | Jordan | JD1.50 | Pakistan | Rs35 | Syria | S£30.00 |
| nland | FM12 | Korea | Won 2500 | Philippines | Pso45 | Thailand | Bht50 |
| ance | FFr8.50 | Kuwait | Fils.600 | Poland | Zl 22,000 | Tunisia | Din1.250 |
| ermany | DM3.30 | Lebanon | US$1.25 | Portugal | Es215 | Turkey | L7000 |
| | | | | | | UAE | Dh11.00 |

# Daf's collapse threatens 12,650 jobs in Europe

By Kevin Done in London and David Brown in Amsterdam

DAF, the Dutch commercial vehicle manufacturer which is one of Europe's leading truckmakers, yesterday was forced to file for protection against its creditors. The collapse was precipitated by the failure of Daf's banking consortium and the Dutch government and Flemish regional authorities in Belgium to reach agreement on emergency short-term funding.

Daf has run up losses of more than Fl 800m ($434m) in the last three years. Its total indebtedness is estimated at about Fl 1bn for the main manufacturing companies and more than Fl 3bn for its financing subsidiaries.

Production at the group's plants in the Netherlands, Belgium and Britain – where Daf took over the former British Leyland truck and van operations in 1987 – was immediately hit as many suppliers stopped delivering parts. The collapse puts at risk about 12,650 jobs.

A spokesman for ABN Amro,


■ Driven to a grinding halt by industry contraction Page 15
■ Lex Page 16
■ Suppliers keep calm over Daf's demise Page 18
■ General Motors to take $20bn accounting charge Page 20


the biggest Dutch bank and the leader of Daf's banking consortium, said the planned rescue deal had broken down over disagreements between the banks and Dutch and Belgian authorities over short-term and long-term financing.

Mr Koos Andriessen, Dutch economic affairs minister, said: "We were faced with the situation where the bridging finance was simply insufficient to meet Daf's needs. The period of uncertainty over its future was unacceptably long. The government was being asked to shoulder an open-ended financial commitment and this it was not prepared to do. The hope is that a solution can still be found to preserve Daf's core business in medium and heavy trucks."

Daf's court-appointed administrators in the Netherlands have carte blanche to act as they see fit, which means that they can close down or negotiate the sale of subsidiaries. Mr John Talbot of accountants Arthur Andersen was last night expected to be announced as the administrative receiver for Leyland Daf, Daf's UK subsidiary.

The collapse embroiled the UK government in fresh controversy over failing to save jobs. Mr Michael Heseltine, trade and industry secretary, was heckled and jeered in the House of Commons when he refused to intervene with public money.

Pressed about assistance for long-term investment, he said a sum of £450m ($648m) had been mentioned and the government had made it clear that it could not contemplate such a project. Britain's Department of Trade and Industry had not been asked to provide short-term working finance and, in any case, would not have done so.

Mr Robin Cook, trade and industry spokesman for the opposition Labour party, condemned the refusal to provide assistance and warned that the collapse of Leyland Daf would inflict another bitter blow on Britain's shrinking industrial base.

He said Daf had advised him that the minority of banks who had wrecked the planned rescue deal, were all British – National Westminster, Barclays and Lloyds. Mr Heseltine said: "There is not, as far as I am aware, one shred of evidence to substantiate that charge".

NatWest, Lloyds and Barclays said their decision not to support the refinancing plan was justified. The UK banks said they were presented with an unacceptable ultimatum on Monday afternoon by the Dutch and Flemish governments.

The three are members of Daf's main banking syndicate led by ABN Amro. Daf has drawn £300m from this syndicate, of which about £140m came from ABN,

Continued on Page 16

# US recovery speeds up as home sales rise

By Michael Prowse in Washington

THE biggest increase in nearly a decade in the US index of leading indicators and a sharp rise in new home sales provided further evidence yesterday of an accelerating economic recovery.

The figures were released amid hints from officials that the Clinton administration may be planning a short-term economic stimulus of about $31bn, rather than the $15bn-$20bn mentioned by aides last week.

The leading index rose 1.9 per cent in December, the Commerce Department said, the largest increase since December 1983.

Separate figures showed a 6.3 per cent increase in new home sales in December and a large upward revision for figures for November. New home sales rose 19.4 per cent in 1992 as a whole – the largest annual increase for nearly a decade.

A White House spokeswoman said President Bill Clinton was encouraged by the improved tone of recent economic statistics but remained very concerned about the lack of jobs growth. "We've got to find a way to put people back to work," the president said on Monday night.

The possible $31bn stimulus package would include an immediate increase of about $15bn in federal spending, to take effect this fiscal year, with the remainder devoted to an investment tax credit. No final decisions, however, have yet been made.

The administration is continuing to search for ways to cut the budget deficit by $145bn by fiscal 1997. Some senior advisers fear that mooted tax increases – such as a broad-based energy tax – would represent a politically damaging repudiation of Mr Clinton's pledge to lower the tax burden on middle-income families.

Mr Clinton will spell out his economic strategy in his State of the Union address on February 17

Continued on Page 16

# West German workers face real wage cuts

By Christopher Parkes in Frankfurt

WEST GERMAN workers will this year suffer their first real cuts in wages for a decade, according to documents due to be presented to the Bonn cabinet next week.

Wage rises are expected to range between 3.5 per cent and 3 per cent, while inflation will average 3.5 per cent, the economics ministry says in its official new year forecasts.

The leak of the figures, two days before the Bundesbank council is due to consider the country's economic plight, and review – but not change – its interest rates policy, coincided with the publication of key indicators which showed recession tightening its grip on industry.

Chancellor Helmut Kohl, meanwhile, told the European assembly in Strasbourg that he and the government would do everything possible to enable German rates to be reduced. A decision on federal spending cuts would be reached in four weeks at the most, he said.

Since the last recession of 1982, pay rises have consistently outstripped increases in living costs. The trend appeared to peak in 1991 when average wages rose 6 per cent and inflation was 3.5 per cent. Last year the consumer prices index rose 4.5 per cent and average wages went up by 5.4 per cent.

An interruption of the trend would send a further signal to the Bundesbank that wage-driven inflation could be coming under control. Much depends, however, on public sector pay talks, due to resume today, in which federal, state and local government employees are demanding packages worth up to 5.5 per cent.

The employers have so far refused to raise their opening offer of 2.25 per cent. Taken together, Mr Kohl's soothing promise in Strasbourg and the economics ministry forecasts, suggest anything above 3 per cent is out of the question.

The public services settlement is likely to set the pattern for the remaining 1993 deals primarily involving banking, insurance and construction workers.

The economics ministry, meanwhile, reported a 2 per cent drop in industrial production from November to December, and the VDMA engineering industry association said new orders booked during December were 9 per cent lower than a year earlier.

Foreign orders were unchanged, while domestic demand slumped 17 per cent, the association said. A comparison of the last quarter of 1992 with the final three months of 1991 showed a 13 per cent fall in new orders. A breakdown of the production figures showed strong declines in most sectors except construction, which benefited from relatively mild weather.

Darkening the picture further, the Ifo economics institute in Munich said it expected west European growth to stagnate or fall by 0.5 per cent this year. Describing conditions as "close to the edge of recession", it said slight improvements in demand and output were expected, but no earlier than late in the year.

The RWI economics institute in Essen said German steel output would fall from 36m tonnes to 33.7m tonnes this year and 12,000 industry employees would lose their jobs. If the forecast upturn did not materialise, the cuts would be much greater, it said.

Solidarity pact deadline, Page 2

British voters are to have their say on the Maastricht Treaty on European unity after all. Baroness Thatcher, the former UK prime minister, yesterday helped launch Dial For Democracy – an unofficial telephone referendum on the treaty. Page 9

# EC warns of action over US trade threat

By David Gardner in Brussels and Nancy Dunne in Washington

THE European Community warned yesterday that it would take "whatever action is necessary" to counter US threats to bar EC companies from government contracts.

As Community trade ministers warned the Clinton administration against sliding towards protectionism, they confirmed they had discussed retaliation in Brussels, but had decided against immediate action.

Mr Niels Helveg Petersen, Danish foreign minister and current president of the EC Council of Ministers, said: "We decided that this was not the time. It is time now to tell the Americans they are on the wrong track." Every EC member state was concerned about "the uncertainty of the trade direction of the new Clinton administration," he added.

At the same time the US signalled it intended putting its concern about free trade and the General Agreement on Tariffs and Trade behind its determination to ensure what it sees as fair play for its companies.

"We do not want to close our procurement market, but we must insist that our major trading partners show an equivalent commitment to open and nondiscriminatory procurement policies," said Mr Mickey Kantor, the new US trade representative.

The EC trade ministers also denounced as "unacceptable" Washington's imposition last week of heavy anti-dumping duties on EC steel.

Mr Petersen dismissed suggestions that Monday's US threat to freeze EC companies out of American federal contracts was simply the bureaucratic outcome


Continued on Page 16
Indignant EC springs to defence of its directive, Page 7


# Bérégovoy urges German rate cut

By Alice Rawsthorn in Paris

MR Pierre Bérégovoy, the French prime minister, yesterday called on Germany to reduce interest rates as soon as possible to enable other European economies to follow suit.

He also sought to damp speculation about further increases in French base rates.

Speaking on French radio, he urged Germany to "shoulder its responsibilities" by bringing its rates down. Germany's internationally sensitive Lombard rate, the rate the Bundesbank charges banks for emergency funding against collateral, currently stands at 9¼ per cent.

France's real interest rates, among the highest in Europe, are one of the main drags on the French economy, and threaten to be a sensitive issue in next month's legislative elections. There is considerable speculation about another rise in French base rates.

Money market rates have risen since the Bank of France last month introduced a new one-day lending facility of 14 per cent to protect the franc, but the commercial banks have held base rates at 10 per cent.

This discrepancy has triggered a steep increase in the banks' borrowing costs.

Société Générale, one of the largest banks, estimates that it is losing FFr1m (£125,000) a day and the whole banking system FFr10m a day.

The banks are lobbying the Bank of France to alleviate the effect of high market rates by widening the range of collateral available to them, as it did during the September currency crisis.

The French government seems to be gambling that it can prevent an electorally embarrassing increase in base rates if it staves off pressure on the franc for long enough to enable the Bank of France to signal a fall in market rates. Mr Michel Sapin, finance minister, yesterday said there were already signs of market rates starting to fall.

Currencies, Page 32



CONTENTS

# Amnesty warning on racist violence

BLACKS, Arabs and Asians are suffering racist violence in western Europe at the hands of the very security forces who should be protecting them, Amnesty International says in a report released today, Reuter reports from London.

The human rights group says police across the continent have taken part in bloody racist attacks and treated ethnic minorities in a degrading manner.

"We know of people being badly beaten up, a 14-year-old asylum seeker having his arm broken, a motorcyclist being run down by a car and then beaten up by the driver – all assaulted not by racist organisations but by police officers," the report says.

Amnesty says it is "pitifully rare" for police officers to be brought to justice for such behaviour.

It urges governments to take *firm action against torture or* ill-treatment by police and other security forces. It recommends pre-employment screening of police officers for racist attitudes and dismissal where appropriate for those who persist in racial discrimination.

Amnesty cites cases in nine European countries, including Britain, France, Germany, Italy, Austria and Denmark.

In Austria, Amnesty names a man of Egyptian descent who was singled out by police for jay-walking within a group of European pedestrians.

When the man refused to pay a fine he was subjected to racial abuse by the officers, beaten up and pushed through a window while in custody. No police officers have been prosecuted.

In Italy, a Somali asylum-seeker was rushed to hospital last year after being beaten unconscious in police custody, Amnesty says.

"In the present climate, with racial attacks on the increase and racist groups growing in size ... failure to act is tantamount to condoning racist crimes in society at large," Amnesty says.

# Kohl sets deadline for solidarity pact

## The chancellor is playing the foreign travel card as he seeks to concentrate minds, writes **Quentin Peel**

CHANCELLOR Helmut Kohl has finally set himself a deadline, of a sort, to tie up the details of his much-vaunted solidarity pact *to finance German unification.*

The day is February 17, and the reason is that on February 18 he leaves on a two-week trip – already once postponed – to India, Japan and south-east Asia.

The only question is whether the chancellor's travel plans will prove enough of an incentive to concentrate the minds of coalition and opposition leaders, trade unions, employers and the 16 federal states to agree on a coherent package in time. As D-day approaches, the differences not only between the negotiating partners, but within each camp, are multiplying. That may allow the wily German chancellor more room for manoeuvre to do a deal, which would set savings in west Germany against spending in the east, and exchange increased investment for wage restraint. Equally, it threatens to cause total confusion.

*The solidarity pact is important for two reasons.* First, it will begin to find an answer to the ever-more intractable task of financing the flow of western subsidies to east Germany, which are forecast at around DM150bn (£62.5bn) or more a year for the next decade.

It may not quite fill the gap – estimated at around DM110bn in 1995 – but it will make a start.

More immediately, if a solidarity pact can show that the public sector – central government, the 16 Länder and local government – can seriously cut its budget deficits, and that *the trade unions can restrain* their wage demands, the mighty German Bundesbank will be much more likely to find the necessary "room for manoeuvre" to cut its interest rates.

Both government and trade unions urgently want those interest rates cut to prevent the recession from deepening. And it just so happens that the central bank has a council meeting on February 18.

The pact is supposed to operate on two parallel planes. On one level it would exchange guarantees of increased investment in the east for wage *restraint: a deal between gov*ernment, employers and unions.

The second level amounts to a deal between the central government and the 16 federal states, east and west, on how to step up spending in the east, and share the burden in the west. Little is yet agreed.

For a start, Mr Kohl's own Christian Democrats (CDU) are divided about how much money they can switch from west to east.

His eastern lieutenants – the premiers of four of the five Länder in east Germany – are calling for a further DM8bn to *be made available this year* alone, more than double what is on offer. From the western side, Mr Erwin Teufel, the CDU prime minister of wealthy Baden-Württemberg, insists that the bill is already too large to be borne without unacceptable cuts in services. It would *mean an annual transfer* of DM6bn from his state, or twice the state budget for hospitals, roads and houses. "This is simply inconceivable," he said in a television interview yesterday.

The left wing of the party, led by Mr Norbert Blüm, the labour minister, and Ms Rita Süssmuth, president of the Bundestag, are worried that planned cuts in social spending will hit the lower-paid too hard. They want new tax rises soon to cushion the blow.

Mr Blüm has floated the idea of rethinking the entire financing of employment and retraining schemes in east Germany, to spread the burden more fairly: to switch from financing through national insurance payments (borne by only 70 per cent of the population) to a form of tax surcharge, borne by all income tax payers, including the self-employed. Mr Kohl and Mr Waigel say no *tax rises before 1995. They* would be "poison for the economy".

Mr Blüm's ideas are, perhaps, conveniently close to thinking coming from the opposition Social Democrats (SPD). Therein may lie the seeds of compromise.

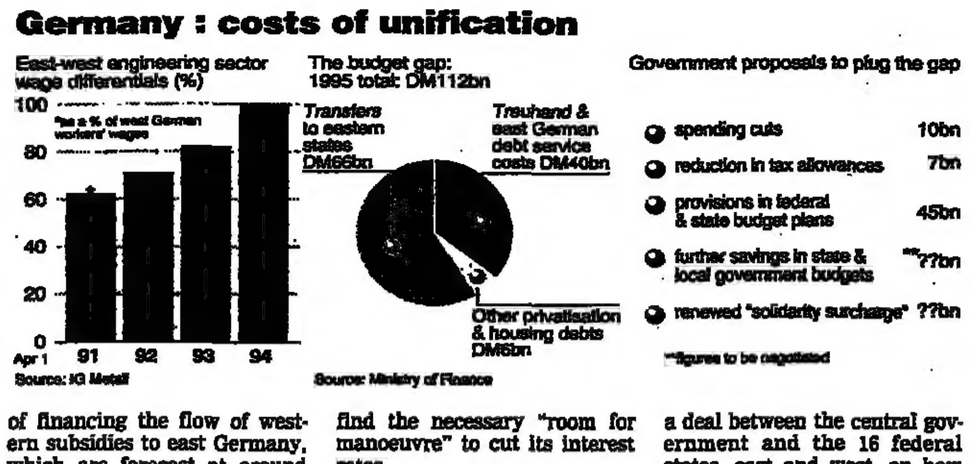
*The SPD is officially set* against anything like the sort of spending cuts, including a reduction in unemployment benefits, proposed.

Yet Mr Björn Engholm, the party leader, and Mr Hans-Ulrich Klose, the parliamentary leader, both seem keen to do a deal in the end.

As for the trade unions, one pillar of SPD party support, Mr Franz Steinkühler of the powerful IG Metall engineering union, has been a key participant from the start.

Mr Steinkühler believes that he has won important concessions from the Chancellor to preserve the "core areas" of east German industry. He doesn't want to throw that away for nothing.

Few doubt that some sort of package will emerge. The only question now is whether it will end up as a unilateral plan presented by the chancellor, or a cross-party deal for which he *can claim broad-based support.* And in either case, will it be enough to persuade the Bundesbank to move?




# Frankfurt dissident targets Emu again

By David Marsh, European Editor

MR Reimut Jochimsen, a leading Bundesbank official, yesterday took further aim at the Maastricht treaty by saying that Germany was being "forced" into economic and monetary union.

Confirming a reputation for outspokenness which has attracted criticism from the Bonn government, Mr Jochimsen said Emu "was more forced on the Germans than that we wanted it".

Speaking at the Royal Institute of International Affairs in London, Mr Jochimsen singled out the French government as the main force behind the drive for a single currency. The quest for monetary union had been a "recurrent" feature of French politics since 1973, he said. Mr Jochimsen, president of the North Rhine-Westphalia central bank, said the present franc-D-Mark exchange rate was in line with the fundamentals in the French economy. But he called on Bonn's partners to "depoliticise" rate changes in the European monetary system.

In a pointed reference to recent attacks on "speculators" by Mr Michel Sapin, the French finance minister, Mr Jochimsen called operators on currency markets "portfolio managers and investors". He said he did not want to use methods of the French revolution against them.

Mr Jochimsen, a heavyweight member of the Social Democratic party, has earned the ire of both the Bonn government and Mr Helmut Schlesinger, the Bundesbank president, since he joined the Bundesbank council in 1990.

In August 1992 he caused controversy by stating, in remarks prepared for a speech in Düsseldorf, that EMS members were shunning realignments for "prestige" reasons.

Mr Horst Köhler, state secretary in the Bonn Finance Ministry, took Mr Jochimsen to task this week for having criticised the government's recent efforts to cut spending.

# Amato floats free from Craxi's levers of power

By Robert Graham in Rome

MR Giuliano Amato, the Italian prime minister, yesterday admitted his six-month-old four-party coalition was defying political gravity.

Just like a cartoon character, the government would keep going as long as no one realised it was riding on air.

He is managing to stay in office even though the government has ceased to represent the specific interests of the Christian Democrats and Socialists, the two main coalition partners. The two parties' credibility is daily diminished by the mounting revelations of corruption and illegal party financing over the past decade.

Mr Amato, a Socialist, has been obliged to cut free from Mr Bettino Craxi, his party leader. It has been a post-war political tradition in Italy for party leaders to control prime ministers. The break with Mr Craxi, formalised on Monday, was essential to prevent the government from being directly involved in the Socialist leader's fight for political survival in the face of allegations of corrupt behaviour and illicit funding of the party.

The prime minister's divorce from Mr Craxi has been followed by three other Socialist ministers, including Mr Claudio Martelli, the ambitious justice minister.

Mr Amato is thus no longer the prime minister for the Socialist party but a socialist chief executive of the administration. If Mr Craxi and his dwindling band of followers so choose they can withdraw their parliamentary support, thereby removing the coalition's narrow 16-seat majority in the chamber of deputies.

In recent days Mr Craxi has posed this threat, especially in the light of a motion of confidence tabled by the former communist Party of the Democratic Left (PDS). However, on Monday night Mr Craxi was persuaded this would be counter-productive, and could even hasten the break-up of the party he has dominated for a decade.

As in every instance over the past six months when the Amato government has appeared unstable, it has survived for two reasons: none of 16 parties in parliament has suggested viable alternatives; and second the major parties have neither the funds nor the public support to call fresh elections so soon after last April's poll.

Added to this, President Oscar Luigi Scalfaro, who has conducted his presidency with skill and quiet authority, has thrown his weight behind the Amato government.

The same considerations apply today as the government faces its first no-confidence motion. Indeed, Mr Achille Occhetto, the PDS leader, who tabled the motion, has admitted his main intention is not to bring down the government; but to force Mr Amato to distance himself from Mr Craxi, make firmer commitments to combat corruption and focus more on the increasingly serious problem of unemployment.

The no-confidence debate, due to wind up tomorrow, will give Mr Amato a platform to state his aims and indicate how long he expects to stay in office. The timetable over the next two to three months is overshadowed by parliament's need to agree electoral reforms or be overtaken by referendums imposing such reforms. This key debate requires government stability – as does the management of an economy in recession.

He would be reluctant to leave office before electoral reform was in place and the parties had regained their composure. But for this to happen he will have to expand the coalition. The no-confidence motion will provide an opportunity for those parties who regard themselves as the "opposition", like the PDS, to spell out terms for joining an enlarged government.

**Italy's balance of payments deficit quadrupled in 1992 despite a modest improvement in the final quarter following the September float of the lira, writes Robert Graham.**

**The 1992 payments deficit was L32,549bn (£14.5bn) compared to L8,571bn in 1991. The deterioration, reflecting an overvalued lira, is even more marked when measured against the 1990 surplus of L15,156bn.**

**The worst month was last September when the monthly deficit reached L29,000bn after the massive lira support operation. But from October Italy began to record a surplus again.**

# Turkey to accelerate privatisation plans

TURKEY is to speed up its privatisation programme with an ambitious target to raise revenues to TL25,000bn (£1.86bn) in 1993, more than five times the sum realised in 1992, writes John Murray Brown in Istanbul.

Prime Minister Suleyman Demirel's ambitious sales target was unveiled together with a radical shake-up of the *agency handling the sale of* state assets to the public. The government is relying on the privatisation programme to close the public sector deficit, which in 1992 was 12 per cent of GNP.

In 1992 Turkey's Public Participation Administration earned TL4,300bn through the sale of six cement companies and minority stakes in a number of smaller, privately managed enterprises.

However, it has not addressed the problem of the *main loss-making state corpo*rations, which are unlikely to receive such a positive response from buyers.

# EC aspirants agree agenda

*NEGOTIATIONS to admit the* EC's first new members since 1986 began in earnest yesterday at separate meetings between the EC president Denmark and ambassadors from Austria, Finland and Sweden, Reuters reports from Brussels.

Diplomats said the talks had gone well and the applicants had agreed to an EC plan to start talks in the first instance in eight areas.

Those areas are the free *movement of services, workers,* and capital, external relations, social policy, agriculture and forestry, customs union and *regional policy. They also* agreed to seek additional areas where the applicants' opening speeches on Monday had demonstrated talks could proceed swiftly. The diplomats said a date was not set for the next set of meetings.

The EC and the applicants hope talks can be wrapped up in a year, allowing the three, who could be joined soon by Norway, to enter the EC fold on January 1, 1995.

*Talks are expected to focus* on the applicants requests' for special arrangements for their farming sectors and on the *implications of the three coun*tries' policy of neutrality for the EC's plans to forge a foreign and security policy.

All three countries offered assurances on Monday that they would abide by the EC's plans laid down in the Maastricht treaty.

● Support among Finns for their country's application to join the EC has fallen in recent months, according to an opinion poll yesterday, Reuter *reports from Helsinki.*

The latest results showed 43 per cent in favour, down from 54 per cent.

# Bonn seeks full isolation of Belgrade

By Judy Dempsey in Berlin and Laura Silber in Belgrade

GERMANY will ask the US to support a total isolation of Serbia as one of the few remaining options aimed at stopping the war in the former Yugoslavia. But it will not support a selective lifting of the arms embargo, even though Washington appears to be shifting its policy towards arming the Bosnian Moslem forces.

The request, which will be made when Mr Klaus Kinkel, the German foreign minister visits Mr Warren Christopher, his US counterpart, in Washington tomorrow, reflects the growing frustration and fears within Germany that Croatia and Serbia could be moving towards an all-out war.

Foreign ministry officials in Bonn yesterday said they have asked President Tudjman of Croatia to stop his offensive into the demilitarised "pink zones" of the republic. These straddle United Nations protectorates set up last year on Croatian territory seized by Serb forces.

"We want Tudjman to stop this offensive, even though we understand why he is doing it, and to accept an extension of the UN mandate in the republic. If not, then this could provoke the Yugoslav army into attacking Croatia. The pressure must be kept up on Serbia, but pressure should be imposed on Croatia as well," a foreign ministry official said.

Despite pressure from public opinion, both in the US and Germany, Mr Kinkel does not support arming the Bosnian Moslems. "We would not go it alone in lifting the arms embargo," an official said, adding that it would be difficult to see how more arms in the region would stop the war from spreading.

Germany also recognises that the US, unless President Bill Clinton is prepared to make a radical change in policy, will not commit ground troops as a means of lifting the siege off the Bosnian capital of Sarajevo, impose a no-fly zone, which is "fairly irrelevant by this stage", or back selected air strikes either in Bosnia, or Serbia.

"Once you go down that latter road, you have to pull out the UN troops," another official said. "We are running out of options. That is why we believe pressure on Croatia to stop its offensive, and total isolation of Serbia, is one of the few options left to us."

In Belgrade General Satish Nambiar, the commander of UN forces in the former Yugoslavia, yesterday said the renewed Serbo-Croat clashes had derailed the peace plan in Croatia but dismissed fears of a pull-out by the 14,000-strong peacekeeping force.

"We have gone back to square one. What we are engaged in now is damage limitation. We are trying to assure that the conflict does not spread," he told reporters.

Gen Nambiar suggested that the peacekeeping forces should have their mandate extended in order to deal with the situation. "I have made certain suggestions to the Security Council but in the end it is the people [at the UN] who give us a mandate, provide troops and resources for execution of the mandate. It is for them to decide how much of a risk they are prepared to take."

# Serbs feel the pinch from UN sanctions

## Milosevic may turn the embargo to his advantage, but the economy is crumbling, writes Laura Silber

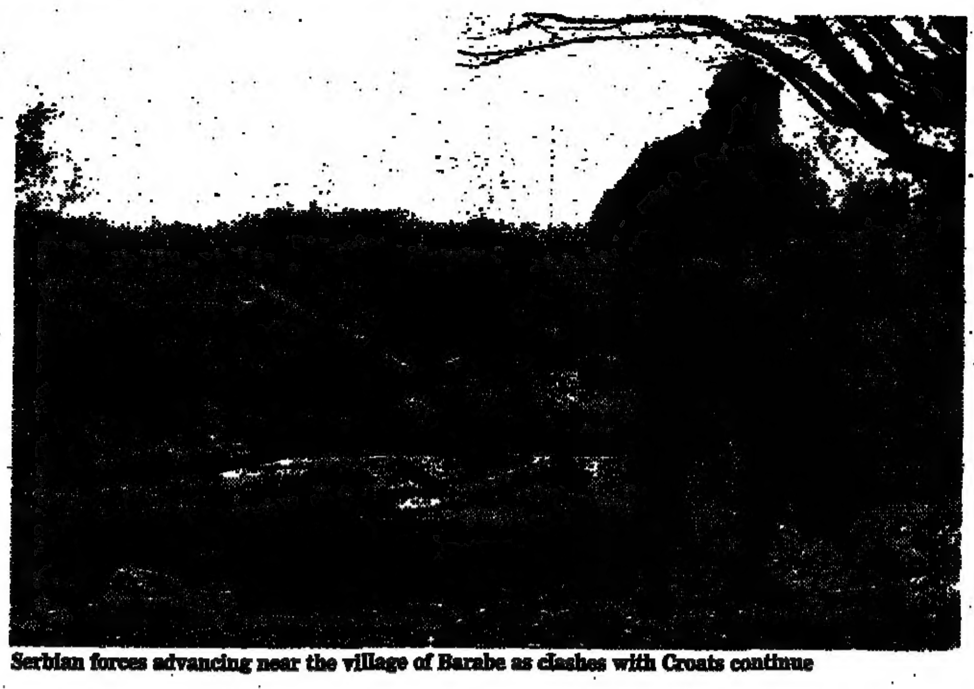
SERBIAN barges may be running illicit cargoes of oil up the Danube under the eyes of United Nations monitors, but nevertheless eight months of sanctions and the oil embargo, in particular, have hit hard.

The latest casualties of sanctions were two McDonald's hamburger restaurants in Belgrade, which this week closed down after their supplies of foreign toppings were depleted.

Yugoslav media meanwhile, has mourned the loss of the Disney cartoon figures Mickey Mouse and Donald Duck, after Disney Publications severed a contract it has had for nearly 60 years with Yugoslavia.

Rising inflation and a sharp decline in the availability of goods also reflect the debilitating impact of sanctions on the Serbian economy, already reeling from 18 months of war and the collapse of trade with the former Yugoslav republics.

Prices rose 100 per cent in December, while industrial production was down 22 per cent on a year ago. More than 800,000 workers have been sent on compulsory holidays as state enterprises have cut production. Some 70 per cent of Serbia's 9.8m inhabitants are earning less than $370 a year, estimates economist Mr Tomislav Popovic.



Serbian forces advancing near the village of Barabe as clashes with Croats continue

The value of the Yugoslav dinar continues to plummet as the government printing presses work overtime. On the bustling black market, hard currency is sold at eight times the official rate. In a move which could indicate the virtual abandonment of the dinar, JUMCO, a major textile manufacturer in southern Serbia, this week announced that all prices would be denominated in dollars, payable in dinars at the black market rate.

Last November the UN tightened the sanctions originally imposed last May on Serbia and Montenegro for supporting Serb forces in the Bosnian war.

But diplomats believe Serbia, under President Slobodan Milosevic, has not been compelled to cut off oil supplies to industry or the Yugoslav army. Instead, it has extended winter holidays for schools and universities due to the shortage of heating oil.

Although oil is undoubtedly in short supply, analysts point out that Serbia produces 25 per cent of the oil it needs.

"There is absolutely no reason to believe the army doesn't have topped-up fuel tanks. They do have problems, some of which are logistical, of getting fuel to places," says one western diplomat. "But Serbia has not yet made the tough choices which would hit industry or transport."

Sanctions have, however, provided Serbian President Milosevic with an alibi for Serbia's economic decline. Backed by his control of state television, Mr Milosevic has vowed that the west will never succeed in bringing Serbia to its knees.

"In terms of the economy, the sanctions are doing a better job than before. But on the political front, they are having a counter-effect," said a western diplomat in Belgrade.

Belgrade economists and diplomats fear that Mr Milosevic so far has capitalised on the decline in the standard of living, and has used the sanctions to his advantage. "They have provided the government with an excuse to impose wage and price controls and destroy the market economy," believes Mr Popovic.

"The embargo has radicalised the population, by feeding the propaganda about international conspiracies against the Serbian people," he adds.

**The United States is to give Romania three fast patrol boats and radar surveillance systems to help with the policing of the river Danube, the Romanian government said yesterday, writes Virginia Marsh in Bucharest.**

**Romania has also proposed a meeting with Ukraine tomorrow to discuss better enforcement of UN sanctions against Serbia. The move follows what the UN termed a "flagrant violation" of sanctions last week by five Serb barges, carrying around 40,000 tonnes of oil. The barges, loaded in Ukraine, reached Serbia after evading Romanian and Bulgarian patrols on the Danube.**

# Reformer to lead Armenia

ARMENIA'S president yesterday replaced his prime minister with a young economist who pioneered land privatisation in the former Soviet republic, writes Leyla Boulton in Moscow.

President Levon Ter-Petrosian said he had sacked outgoing premier Mr Khosrov Arutunian for a "gross breach of etiquette" in criticising parts of his own economic reform programme. His successor, Mr Grant Bagratian, previously deputy prime minister, had quarrelled bitterly with Mr Arutunian, who wanted the state to have greater control over economic reforms.

The change of government comes as Armenia is reduced to begging for electricity from its neighbours, including Turkey, its historical enemy. The landlocked republic, starved of natural resources and at war with Azerbaijan, fears energy shortages could lead to a breakdown of law and order.

Its last source of fuel – a pipeline from war-torn Georgia – was blown up last week. Its nuclear power station has been closed since a 1988 earthquake.

# Russians at loss on bankruptcy

RUSSIAN legislators and officials said yesterday there would be problems in implementing a long-awaited bankruptcy law, due to go into effect on March 1, because of gaps in related regulations and a shortage of qualified staff, writes Leyla Boulton.

Mr Alexei Manannikov, a member of the parliament's economic reform committee, said for instance the government's postponement of a decision on indexing enterprises' fixed capital to keep up with inflation would leave the door open to fraudulent bankruptcies. Although arbitration court judges were being trained to handle bankruptcy procedures, an economics ministry official said a lack of qualified staff remained another serious problem.

Mr Manannikov said he believed that galloping inflation would discourage creditors, who may have to wait up to two and half years for the completion of bankruptcy proceedings, from retrieving money owed to them, except if the debts were denominated in hard currency.

# Second rescue for Faroe Islands bank

THE Danish government has put up DKr350m (£36.3m) to rescue the largest bank on the Faroe Islands, Sjovinnubanken (Fisheries Bank), from collapse, the second time the Danes have had to help within a few months, writes Hilary Barnes in Copenhagen. The North Atlantic island group, population 47,000, is a part of the Kingdom of Denmark but enjoys extensive home rule.

The islands have been plunged into crisis by a combination of high government spending programmes and a decline in income from fisheries, which account for 97 per cent of export earnings.

The Danish government propped up the privately-owned Sjovinnubanken with DKr500m last autumn, on condition that the islands' government sought the advice of experts from the International Monetary Fund on a policy to restore the economy.

This week's support for the bank was made conditional on a reduction in the fisheries fleet, tax changes, and a halt to public investment programmes. The islands' crisis follows large expansion of the fisheries fleet and filleting factories in the 1980s, encouraged by direct and indirect government subsidies, and an ambitious investment programme.

The investments were financed by borrowing heavily abroad, with the result that the net foreign debt at the end of 1991, at DKr8.1bn, was about DKr175,000 per inhabitant.

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# Scramble to preserve US links

## The deportee issue has shaken Israel's relationship with Washington, writes **Roger Matthews**

Israeli prime minister Yitzhak Rabin outlines his terms on the deportees' return at a Jerusalem press conference yesterday

THE SPEED and relief with which Mr Warren Christopher, the US secretary of state, welcomed Israel's offer to take back 100 of the 415 Palestinians it deported in December revealed far more about American-Israeli relations than it did about the future of the Middle East peace process.

It had taken Mr Christopher several days and phone calls to persuade Mr Yitzhak Rabin, Israel's prime minister, to drop his insistence that the decision on the deportees was final and irrevocable. The Palestinians had said that they would not resume peace negotiations unless the fate of the men was satisfactorily resolved, but it was not this issue which appears to have been uppermost in Mr Christopher's mind.

His primary concern was that the new administration, which condemned the expulsions, should not be forced into using its veto to block any move to impose UN sanctions against Israel for refusing to implement Security Council resolution 799. Very quickly after Israel's statement on Monday night, Mr Christopher asserted that not only was talk of sanctions now unnecessary, but that it could undermine the whole peace process.

To this extent, a relieved Mr Christopher and a bruised Mr Rabin might reflect on their success in sustaining the single most critical relationship in the Middle East. However, it cannot augur well for the peace process, launched in Madrid in October 1991, and will not have quashed moves for sanctions against Israel.

The episode has already cost Mr Rabin domestic political capital that he needed to preserve for the day when Middle East peace negotiations move on to substantive issues which demand Israeli concessions.

After performing the partial U-turn, the Israeli leader may seek to reinforce his already hardline stance on security issues, while being even less ready to compromise at the negotiating table. There will also be less enthusiasm for compromise on the other side of the table. Mr Rabin's decision to expel the Palestinians was aimed at crippling Hamas, the radical Islamic organisation which is gaining ground in the occupied territories at the expense of the Palestine Liberation Organisation.

Instead, Hamas has been given a substantial political boost. Deportees on their hillside in southern Lebanon provide potent images of defiance. While they remain, it is almost impossible for the more flexible PLO to ask its negotiators to return to the negotiating table in Washington.

> The US did not want to be forced into vetoing UN sanctions against Israel

Mr Rabin's offer to let 100 men return does nothing to satisfy PLO demands and may perversely be damaging Israel's own peace talks strategy. In the past few months Israel's negotiators have increasingly come to sense that it might just be possible to strike a deal with Syria over the Golan Heights. Furthermore, any hint of real progress with Syria would provide a big impetus for the Palestinians to become more pliant to avoid being left behind.

Syria has been providing some encouragement for this belief with Mr Farouk al-Sharaa, the foreign minister, stressing last month that Arab delegations should not break off bilateral talks where they had most to gain. If they wished to boycott anything, he argued, it should be the multilateral talks which involved greater benefit to Israel.

But Israel's negotiators concede that while the Palestinians stay away it will be difficult for the Syrians, Jordanians and Lebanese to return. At the very least, the framework for a solution to the plight of the deportees had to be in place, and Mr Rabin's concessions on Monday do not meet that requirement.

If anything, argue some Arab diplomats, the apparent US endorsement of Mr Rabin's action has made the situation worse by damaging American credibility as an honest broker. They say Mr James Baker, former Secretary of State whose efforts made the peace process possible, would have played his hand more astutely.

This sense of frustration is heightened by the understanding that the three Arab governments and the PLO have no alternative to the peace process. The reasons that brought them to the Madrid conference are still valid.

At some point they will have to return to the table. But with every new confrontation, such as that of the deportees, hopes for negotiation are less easy to justify.

# Israel smoothes EC investment in West Bank

By Lionel Barber in Brussels

ISRAEL and the European Community have agreed to lift obstacles to direct EC investment in the occupied territories of the West Bank and Gaza, Mr Shimon Peres, the Israeli foreign minister, said yesterday.

Mr Peres said the EC was becoming a world leader in foreign and humanitarian aid and the accord would allow the EC to invest in housing, hospitals and businesses in the West Bank without dealing with the Israeli authorities.

Israeli-EC relations improved this week after the Rabin government agreed to the return of 100 of the Palestinian deportees from no-man's land in Lebanon and shortened the length of exile for the other 296. Mr Peres said the compromise cleared the way for talks to update a 1975 bilateral trade accord with the EC, but EC officials were more cautious, describing it as a "very good step" only.

Israel wants to free the movement of capital and services with the EC and upgrade technological co-operation. Israel has a $4.5bn trade deficit with the EC.

Reuter adds from Paris: France said yesterday Israel's offer to allow back 100 expelled Palestinians was a step in the right direction but further efforts were needed to end the dispute and revive the Middle East peace process. "Ideas put forward by the Israeli government point to the will to seek a settlement. . . it is therefore a step in the right direction," the foreign ministry spokesman said.

He added the offer did not meet Palestinian demands and France hoped for more efforts to find a just solution.

# State to keep control of telecoms company

By Hugh Carnegy

THE ISRAELI government decided yesterday to maintain control for an unspecified period over Bezeq, the state-owned telecommunications monopoly, preferring a gradual programme of liberalisation in the sector and limited public share offerings to proposals for the early sale of a controlling stake to a strategic investor.

Bezeq is one of the biggest of Israel's many state-owned companies and was earmarked as a prime candidate for privatisation when the Labour-led government took power last July promising to speed up the privatisation process.

Critics said the decision showed the government's reluctance to embrace radical privatisation, despite its promises. The government has ruled out selling its control of Israel Chemicals and made little progress on other companies such as the airline El Al.

But the cabinet sub-committee that controls privatisation, which includes Prime Minister Yitzhak Rabin and Mr Avraham Shohat, the finance minister, said competition in the economy would be enhanced by dismantling some of Bezeq's monopoly before it moved out of government hands.

The committee said it would move to allow private competition in cellular telephones and international links. The state would reduce its 75 per cent holding in Bezeq to 51 per cent through share offerings on the Tel Aviv stock exchange.

# Goulding ends role as peace negotiator

By Michael Littlejohns, UN Correspondent, in New York

MR MARRACK Goulding, the senior Briton in the United Nations secretariat, who has been in charge of its peace-keeping operations for the past six years, is to become under-secretary general for political affairs as part of a reorganisation programme initiated by Mr Boutros Boutros Ghali, the secretary general.

Mr Goulding's successor will be his Ghanaian deputy, Mr Kofi Annan. Mr Goulding, a former member of Britain's UN mission and later ambassador to Angola, replaces Mr Vladimir Petrovsky, a former Soviet deputy foreign minister, who moves to Geneva as head of the UN European Office.

Mr Antoine Blanca, current UN chief in Geneva, will be returning to the French government service from which he was seconded. The changes are effective on March 1.

Mr Boutros Ghali will soon have to replace Mr Dick Thornburgh, former US attorney-general, who has been serving as head of UN administration and management but resigned after President Bill Clinton's victory.

# UN stops travel near Jalalabad

By Farhan Bokhari in Islamabad

THE United Nations yesterday suspended road travel for its staff between northern Pakistan and the city of Jalalabad in eastern Afghanistan, after four of its staff members were killed on Monday in an ambush by unknown gunmen.

The road provides the most important land link for transportation of relief goods from Pakistan to the Afghan capital, Kabul.

Rival groups of mujahideen tribesmen have recently exchanged fire to gain control of the road, western diplomats and officials say.

The bodies of two of the UN's international staff members were brought to Islamabad yesterday to be flown to their home countries.

# Army denies attempt on Khmer Rouge HQ

By Victor Mallet in Phnom Penh

THE CAMBODIAN government yesterday denied its latest military offensive was aimed at capturing the Khmer Rouge headquarters near the Thai border, and suggested UN troops be repositioned to act as a "buffer" between government forces and the guerrillas.

The government said a series of recent attacks on Khmer Rouge positions in northern and western Cambodia were aimed at driving the guerrillas back to the territory they held before all the country's main factions signed a ceasefire and peace agreement in Paris in October 1991.

They were responding to accusations by UN peace-keepers on Monday they were engaged in a big offensive which could not be justified on grounds of self-defence.

"It's a purely defensive activity," Mr Khieu Kanharith, senior adviser to prime minister Hun Sen, said. "Now the mission is complete. It's a great success."

Gen Pann Thay, military spokesman, said the offensive was aimed at protecting villagers working on the rice harvest and at forcing back Khmer Rouge artillery shelling government positions.

He said there was no plan to take the gem-mining town of Pailin, regarded as the Khmer Rouge headquarters, but added: "We finish right now, but if the Khmer Rouge launch an offensive against us we have to attack them again."

The UN Transitional Authority in Cambodia (Untac) seems unlikely to accept the idea of placing its 16,000 troops as a buffer between the country's warring factions.

# Arafat in talks with Saddam

MR Yassir Arafat, leader of the Palestine Liberation Organisation, yesterday met Iraqi President Saddam Hussein, Reuter reports from Baghdad.

Diplomats said the visit, the first since the PLO's public attempts at reconciliation with Saudi Arabia, could be a mediation attempt by Mr Arafat to help bring Iraq back into the Arab fold. It was the first time the two leaders have held talks since January 1992.

The nose of the average hotel concierge has been known to turn 3mm north at the sight of any visitor who happens to fall below his rather regal expectations.

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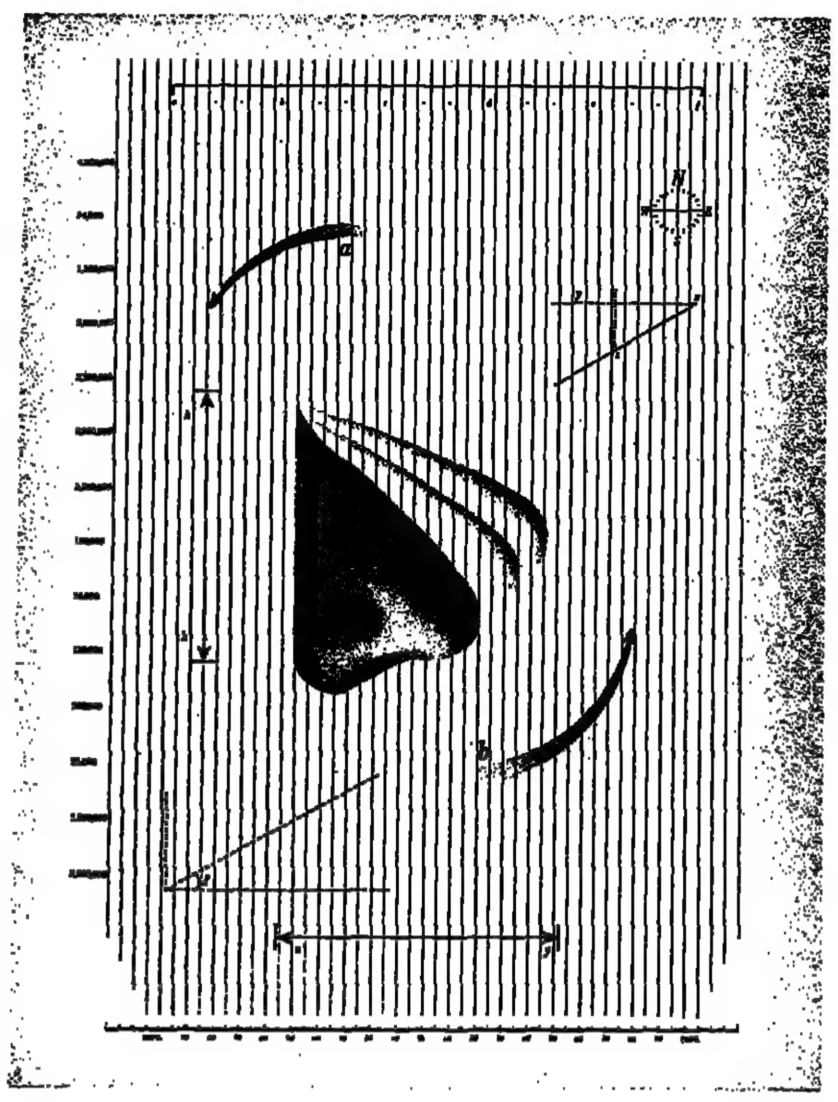

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(Sorry, but it had to be said.)

We must admit that there is one thing about our rooms that's dreadfully old fashioned. The size.

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**Opening February, 1993.**

# Patten faces surgery as HK reforms loom

By Simon Davies in Hong Kong

Patten: heart surgery

HONG KONG Governor Chris Patten has been taken into hospital for minor heart surgery just weeks before his controversial political proposals are due to pass before the colony's legislature.

Hong Kong stock prices climbed on the news in London yesterday, as brokers speculated on the exceptionally remote possibility that the illness could prepare the way for Mr Patten stepping down from a reform programme that has attracted the ire of China and damaged investors' confidence.

Mr Patten is to undergo angioplasty (the full term is "percutaneous transluminal coronary angioplasty") treatment, after doctors identified a narrowing of two coronary arteries.

A government spokesman suggested he would remain in hospital for four days and was expected to be back at work within a fortnight.

Mr Patten chaired a meeting of the Executive Council (LegCo) – the governor's cabinet – during the morning, and the full reform package is still on track, to be presented to the legislature before the end of February. It is unlikely that his hospitalisation will delay this process.

But the timing is awkward, as it coincides with a stepping-up of China's opposition to Mr Patten's plans to broaden democratic representation in the Legislative Council, following a brief lull in the verbal conflict.

On Monday evening, China's most senior representative in Hong Kong, Mr Zhou Nan, reiterated China's stance that it would not "barter on principles".

He also claimed that the British proposals were a serious stumbling block to Hong Kong's stable transition back to China in 1997.

This was seen as a warning directed at executive councillors, and observers expect the criticism to intensify in the lead-up to the LegCo debate on the proposals.

South African riot police fire tear gas and shotguns after taxi drivers threw stones and cans at them during a protest yesterday

# Downturn pushes Japan's unemployment to 2.4%

By Charles Leadbeater in Tokyo

JAPAN'S unemployment rate rose to 2.4 per cent in December as the downturn in the economy began to take its toll upon the jobs market.

Most Tokyo economists expect the official unemployment rate will rise in the course of the year to nearly 3 per cent, the peak it reached during the downturn of the mid-1980s.

The main cause of the rise from 2.3 per cent in November is the virtual evaporation of private sector job offers, in both manufacturing and services, as companies freeze recruitment to cut costs.

The ratio of job offers to job applicants stayed at 0.93 in December, the same rate as November, which means there are 93 job offers for every 100 applicants.

This ratio's stability was mainly due to a surge of job offers from the construction sector fuelled by expanded public works programmes.

Government ministers and business leaders used the weak unemployment data to renew their calls for an early cut in interest rates.

The official unemployment rate is an underestimate of the extent of unemployment in Japan. Job losses among self-employed and mainly women part-time workers who do not register for unemployment benefit have already risen sharply.

Japan's lifetime employment system means that thousands of workers are being kept on company payrolls even though they have no work to do. Some financial analysts estimate this so called in-company unemployment amounts to about 6 per cent of the industrial workforce.

The rise in unemployment is one of the main factors depressing consumer confidence, which fell by 3.2 per cent to 38.2 per cent in the final quarter of last year according to the official index published yesterday by the Economic Planning Agency.

Consumer sentiment about the employment outlook fell 8.6 per cent to 27 per cent in the last quarter of the year, fuelling growing pessimism among consumers about the outlook for their standard of living.

As private investment is deeply depressed a revival in personal consumption is seen as essential to reigniting economic growth. Business confidence remains depressed, but not as depressed as the end of last year, according to a separate report by the EPA. Its index of business sentiment for the first three months of this year stood at minus 24, compared with minus 32 in the final quarter of last year.

# S Africa taxi drivers in new protest

POLICE and protesting black taxi drivers clashed for a second straight day yesterday, leaving three people injured and tempers high in parts of central Johannesburg, AP reports from Johannesburg.

The drivers were angry that some people held in Monday's confrontation remained in custody, despite an agreement with city officials that called for their release.

Law and Order Minister Hernus Kriel said he would declare Johannesburg an unrest area, giving police wide powers to arrest people and disperse crowds.

Protesting taxi drivers were complaining that traffic police harass them and that they want subsidies similar to those given the Public Utility Transport Corp. bus company. Taxi drivers are notorious for dangerous driving and are often involved in accidents.

## Death penalty would be reimposed for some crimes

# Pretoria unveils bill of rights

By Patti Waldmeir in Cape Town

THE SOUTH African government yesterday published proposals for a bill of rights which would outlaw race and sex discrimination and protect private property, but which would impose the death penalty for certain serious crimes and permit detention without trial.

The proposal forms an essential part of Pretoria's blueprint for a constitution which prevents blacks from dominating whites. However, it will not become law without the agreement of the African National Congress and other parties to constitutional negotiations.

The draft bill of rights seems specifically designed to outlaw the gross human rights abuses committed by the ruling National party during its 44 years in power, including torture, murder, discrimination by race and infringements of basic freedoms of speech, movement and association.

Asked whether the proposals did not represent a "deathbed conversion" to human rights protection, Justice Minister Kobie Coetzee admitted the current constitution permitted abuses against fundamental rights, and that abuse had taken place.

Pretoria's proposal is likely to provoke wide controversy, as it would reimpose the death penalty (suspended since 1990) for certain crimes, would permit 10-day detention without trial, and includes only limited provisions to protect individuals from race discrimination while providing far more protections against sex discrimination.

It makes no move to redress any of the economic wrongs of apartheid, including forced expropriation of land from blacks, but outlaws expropriation by any future government. Measures included in the bill to protect private property rights will attract widespread criticism, as they are designed to protect whites.

The ANC is likely to oppose the proposal on the grounds that economic rights, such as the right to employment, housing, health care and education, are not guaranteed. The ANC's own draft bill of rights includes such guarantees, but the National party argues that they cannot be enforced against a government which lacks the resources to finance huge social investment.

Government officials say the publication of their draft bill of rights demonstrates Pretoria's desire to move rapidly away from apartheid discrimination. Other recent moves have also been announced, including a decision to remove the racial bias in per capita education spending.

## Singapore investment at $2.1bn record

Singapore says that investment in its economy reached a record high of S$3.48bn ($2.13bn) last year, a 21 per cent rise on the previous year's figure, writes Kieran Cooke.

The bulk of the investments were in the chemical, electronic components and electronic systems industries. The US was the biggest foreign investor with S$1.2bn or 34.5 per cent of the total, followed by Japan with S$843.5m and the European Community with S$614.1m.

## Foreigners still trapped

Attacks by government fighter planes on Unita positions in northern Angola yesterday stymied attempts to evacuate foreign oil workers trapped since rebels overran the key oil town of Soyo two weeks ago, AP reports from Luanda.

Unita rebels in their central Angolan stronghold of Huambo, meanwhile, said government forces had withdrawn tanks and ceased aerial bombardments after a weekend of fierce fighting.

## Setback for New Zealand

The New Zealand economy recorded its first economic setback for 15 months in the third quarter of last year with a fall of 0.8 per cent in gross domestic product, reports Terry Hall in Wellington.

On an annual basis, GDP was 1 per cent higher. The setback was mainly due to the water shortages in the South Island lakes.

## Volcano deaths

At least nineteen people were killed and around 20 farmers were listed as missing after the dormant Philippines Mayon volcano, world-famed for its beautiful cone, erupted yesterday reports Reuter from Legazpi, Philippines.

# EC ministers fail to agree import curbs

By Andrew Hill in Brussels

EC FOREIGN and trade ministers failed yesterday to agree a compromise on lifting or harmonising national import restrictions, adding to confusion about the treatment of non-EC goods in the single European market.

Britain, Germany and the Netherlands may be breaking EC law by unilaterally trying to find ways round the problem, according to Community officials. A spokesman for Sir Leon Brittan, EC trade commissioner, warned yesterday that unilateral action to extend or abolish quotas risked "undermining a unified [EC] trade policy".

The question of what to do about outstanding national quotas is linked to controversial European Commission proposals to streamline the procedure for imposing anti-dumping duties on non-EC imports. Liberal northern member states like Britain, Germany and the Netherlands object to the Brussels plan; they believe it would give the Commission greater power to impose duties.

Yesterday, they attacked Sir Leon's compromise, which would have allowed a simple majority of member states to reject proposed duties. Sir Leon rejected claims that the Commission was trying to grab more power for itself, and said Brussels was trying to speed and improve the procedure for imposing duties and trade safeguard weapons.

Mr Tim Sainsbury, UK trade minister, said after the meeting: "If the Commission lays before the council a strong and well-argued case for an anti-dumping or safeguard measure, they will get support."

Failure to agree how to use such weapons means a legal void still exists on the question of national quotas, still in place in many EC countries despite the lifting of internal EC border controls on January 1. Goods covered include textiles and footwear from "state trading countries" like China and North Korea.

In the worst case, that could mean an import ban or reimposition of internal controls to try to stop cheap imports coming across internal borders.

In principle, member states wanting to take temporary measures to fill the legal void have to apply to the Commission for permission to extend or abolish quotas. Germany, which has gone for full liberalisation, and Britain and the Netherlands, which want to extend their licensing regimes, have not yet asked for permission, according to EC officials.

Foreign and trade ministers may get another chance to discuss the issue next month. Meanwhile, it will be debated again by national officials.

# IBM fights for copyright

By Michiyo Nakamoto in Tokyo

IBM, the US computer group, has joined other US high-technology companies waging an intellectual property war with Japan by filing suit against Kyocera, the bioceramics and electronics company, for alleged copyright infringement.

IBM claims Kyocera infringed its copyright covering its basic input/output system (PC BIOS) and is demanding Y18.7bn (£103.3m) damages.

Kyocera responded by stating that the BIOS it uses in its machines is a programme that the company developed independently of IBM's programme.

IBM's move comes after nearly three years' negotiations between the two companies. IBM said it was bringing the court action in Tokyo partly to counter possible criticism in Japan of a biased judgment if it should win its case in a US court.

# US adopts tough line on public contracts

By Nancy Dunne in Washington

YEARS AFTER "level playing field" became a cliché in Washington trade circles, the US now has an administration which says it is determined to create one.

In the second potentially explosive trade issue tackled by the Clinton administration in as many weeks, hard on the heels of dumping duties provisionally levied on steel exports, the fledgling Clinton administration took only 11 days in office to announce sanctions against "certain discriminatory procurement practices maintained by the European Community".

"We do not want to close our procurement market, but must insist that our major trading partners show an equivalent commitment to open and non-discriminatory procurement policies," Mr Mickey Kantor, new US trade representative, said.

During the election campaign, President Clinton, who has been forced to backtrack on a number of his promises, said he would open markets and enforce US trade laws.

He seems intent on keeping to these commitments. Mr Kantor, the president's campaign chairman, shares them. Fresh in his mind is the pain and anger of US voters facing uncertain economic conditions and joblessness.

"The days when we could afford to subordinate our economic interests to foreign policy or defence concerns are long past," Mr Kantor told the Senate Finance Committee. "As President Clinton has noted time and again, our national security is directly related to our economic viability here at home. We will not be guided by the assumption that other nations share our commitment to free trade and open markets when the real-world evidence is otherwise."

The government procurement dispute with the EC dates back to 1990 when the Community first announced its Utilities Directive, planned to come into force in January.

EC procuring utilities could exclude bids with less than 50 per cent EC content; acceptable bids with a majority of EC content must receive a 3 per cent price preference over non-EC bids.

Under US trade law, the administration must thoroughly review global procurement practices every year. In February 1992, the administration determined that the EC discriminated against the US in its Utilities Directive.

President Bush said he would institute sanctions against the EC to take effect by January 1993, subject to EC implementation of the Utilities Directive.

The Clinton administration was not forced to act immediately. US law gives the president the authority to modify or suspend sanctions if it is in the national interest. Mrs Carla Hills, the former US Trade Representative, usually took full advantage of the law's flexibility in the hope of reaching settlement. But Mr Kantor apparently decided more talking would not produce agreement.

A US trade official said that in exchange for a liberalisation of the EC Utilities Directive, the US had offered to bring a number of US states into the Gatt government procurement code, and to deal with any "legitimate market access problems" EC companies might have with private utility bidding.

"They wanted to have some procedural guarantees applied to private telecommunications companies," he said. "We might feel more sympathetic if they had come up with examples of discrimination."

US officials recognise that the Directive has many "aspects" which improve US market access, but consider it unacceptable that restrictions remain. Clinton officials, who overwhelmingly approved the action, believe the US was already late in moving and was even ill-prepared to do so.

The US trade representative had no sanctions list prepared nor even an accurate estimate of the costs of the retaliation. The retaliation will only hit products not covered by Gatt's procurement code: telecommunications, airports, waterways and services.

Mr Kantor has ordered a study of "the desirability and feasibility of withdrawing from the Gatt Government Procurement Code."

This would allow the US to broaden its sanctions against the EC with the cost as high as an estimated $500m.

# Indignant EC springs to defence of its directive

## Officials see utilities ruling as an important market-opening initiative, writes Andrew Hill

CONTRARY to US claims that the European Community is bent on using the obscure new "utilities directive" to block US companies' access to government contracts, EC officials see it as an important market-opening initiative and one of the most important parts of the single market programme.

This perhaps explains the outburst on Monday of Sir Leon Brittan, the EC's most senior trade official, attacking as "unilateral bullying" Washington's threat to freeze out EC companies when awarding US federal contracts. Mr Niels Helveg Petersen, Denmark's foreign minister and president of the EC Council of ministers described the action as sending the "wrong signal for the world economy."

The Clinton administration said on Monday that from March 22 it would block EC companies from bidding for millions of dollars' worth of American government contracts and, potentially more damaging, threatened to withdraw from the General Agreement on Tariffs and Trade's multinational government procurement code.

The initial action is to be taken as retaliation for what the US says is EC discrimination against US sales of telecommunications and power-generating equipment to government utilities following the introduction of the utilities directive on January 1 1993.

The idea of "government procurement contracts" may be hazy to many, but they are nevertheless immensely important. Overall, Commission officials estimate that they represent some 15 per cent of EC gross domestic product, of which 7 to 10 per cent – contracts worth Ecu240bn-Ecu340bn (£194.88bn-£276.08bn) – could be opened to competition by the new directive.

The present row centres on the specific area of contracts for equipment supplied to telecommunications and electrical utilities in the EC.

The directive allows EC governments to reject tenders for supply contracts where the non-EC content of the products supplied exceeds 50 per cent of total value. It says that in borderline cases preference should be given to tenders where over half the products are made in the EC, even if the price is up to 3 per cent higher than that of competing tenders.

The US believes this so-called "reciprocity" clause is discriminatory. The EC in turn has complaints about allegedly protectionist US procurement legislation, including the Buy American Act, which the EC says imposes far stricter price preference clauses on products of US origin.

In the utilities sector, US and EC central government spending is roughly equal. US central authorities spend annually Ecu48bn on supplies, Ecu25bn on services and Ecu7bn on works; the EC spends respectively Ecu40bn, Ecu30bn and Ecu25bn. About half this could be contract expenditure. In the trickier area of state expenditure the US figure is Ecu194bn and the EC's Ecu145bn. Contracts in the telecommunications and electrical equipment sectors are said to be worth about Ecu50bn annually in the US and roughly the same amount in the EC.

What galls Sir Leon Brittan and his officials is that they believe the EC directive will allow US suppliers to compete directly on the EC market and gain a chunk of that Ecu50bn total. That is a view shared by the French government, which tried unsuccessfully to postpone the implementation of the utilities directive before Christmas. The attempt was made on the grounds that it would put EC suppliers at a disadvantage compared with their US counterparts.

Brussels officials claim that the public procurement directives are already having an effect on the sheltered market.

In spite of the fact that not all EC countries have put the utilities legislation into their national law, about 250 equipment contracts were advertised for tender in the EC's Official Journal in January. "We are getting advertisements from every member state in the community, major and minor utilities," one official said yesterday.

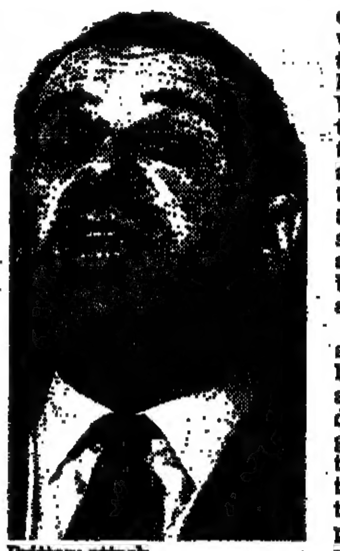
About 40 of those notices stated a contract value making a total of some Ecu500m. That is probably far short of the overall value of the advertised contracts, but it still equals the annual value of trade in the whole EC public procurement sector before legislation was introduced.

In EC-US negotiations at the beginning of January the community offered to drop temporarily the offending 3 per cent clause on telecoms and electricals equipment, in exchange for suspension of the Buy American Act at five federal-controlled power utilities, representing some 25 per cent of the market.

EC negotiators also pressed for a wider deal covering procurement supplies, works and services. "The idea was to meet the American problem on electricals and telecoms, at least partially, and to give a kick-start to [multilateral Gatt] negotiations on public procurement," one EC official said.

That deal was rejected, and even though the US presidency has changed since the January negotiations, Commission negotiators say it is unlikely to be given a new lease of life by the Clinton administration.

Sir Leon has nevertheless urged the US to show restraint, and hopes to discuss the issue with Mr Mickey Kantor in Washington during his first formal meeting with his US counterpart, on February 11.



Brittan: attack

Petersen: 'wrong signal'

# Clinton promises welfare task-force

By George Graham in Washington

PRESIDENT Bill Clinton yesterday promised to name a task-force within the next 10 days to reform the US social *safety net of welfare programmes.*

He told the National Governors' Association that he was committed to "ending welfare as we know it" with measures to finance expanded job training for the unemployed, matched by a requirement that people must do some kind of work for their welfare cheque.

The president said he would focus on better implementation of the Family Support Act, a 1988 welfare reform based on the work of an NGA task-force which he, as governor of Arkansas, co-chaired.

"The bill that is on the books will work, given the right economy and the right support systems," Mr Clinton said.

Advocates of welfare reform had been discouraged about the new administration's intentions, fearing that the centrist Democratic emphasis on requiring welfare recipients to work or enroll for training might fall prey to left-wing advocacy groups concentrating on greater funding of existing programmes.

These suspicions were enhanced when Ms Donna Shalala, new secretary of health and human services, last month devoted only one sentence to welfare reform in a five-page statement of goals.

With the onset of the recession, state revenues have been constrained while the number of welfare recipients has grown by 30 per cent. As a result, few states have been able to implement in full the act's requirement that welfare recipients take part in some form of education or training.

Mr Clinton promised yesterday his reforms would be based on the principle that "welfare should be a second chance, not a way of life". There must be "a certain time beyond which people don't draw a cheque for doing nothing," he said. But at the same time people must be helped out of the welfare trap by providing them with continued health coverage, child care, and expanded earned income tax credits when they took jobs.

Many states have already embarked on far-reaching welfare reform programmes, such as Michigan's 21-point plan to strengthen families or New Jersey's family development programme. Mr Clinton said he would let states experiment with such programmes, even when he disagreed with them.

## Army bases may house homeless

The Clinton administration is planning to use decommissioned military bases and other federal facilities to house the homeless, Housing Secretary Henry Cisneros said yesterday, AP reports from Washington. "It's critical... we make that conversion to those most needy in our society," he said.

## Peabody Coal strike gets underway over demand for union job security guarantee

# US pit strike may spread to other coal producers

By Patrick Harverson in New York

MORE THAN 7,000 miners working for Peabody Coal, the largest coal producer in the US and a subsidiary of UK-based conglomerate Hanson, went on strike yesterday in a dispute over job security and union representation that could soon spread to other big US coal producers.

The United Mine Workers union said it was ordering its members at Peabody, who make up the bulk of the company's workforce, not to report for work after negotiations over a new national wage agreement broke down. The old agreement, negotiated in 1988, expired just before midnight on Monday.

The dispute is over a refusal by the employers' body, the Bituminous Coal Operators Association, to guarantee in the new wage agreement that its members will employ union workers at their new mines. Without such a guarantee, the union will not negotiate a new national contract, which covers 42,000 of the country's 103,000 mine workers.

Mr Thomas Hoffman, a BCOA spokesman, said yesterday: "Employees should have the right to to decide themselves whether they want to be represented by a union or not."

The UMW is seeking a guarantee for its members because in recent years employers have been increasingly using non-union labour at their new mines, a practice which has steadily reduced the UMW's representation among mine workers. In the 1970s, the UMW represented more than 50 per cent of all mine workers. Today, the union represents only 35 per cent.

There was no indication from the union yesterday whether it would extend the action to other producers. However, Mr Richard Trumka, president of the UMW, said on Monday: "If, when and how this strike expands depends entirely on whether the BCOA companies are prepared to bargain."

If the UMW does extend the strike, it could seriously affect production at other big producers. Companies with operations in the Mid-West, where the UMW is heavily represented among miners, would be particularly vulnerable.

An extended nationwide strike, however, would not immediately affect coal-users or consumers. Mr Ron McMahan of Resource Data International, a Colorado-based consultancy, estimates that the country's leading electric utilities have stockpiles of coal that would last about 60 days.

Peabody, however, is likely to be hit immediately by the strike. The company employs UMW workers at all but one of its 71 mining operations, and the strike will affect about 58 per cent of the company's annual coal output of almost 90m tons. The rest of Peabody's production, all of it concentrated in the western US, would not be affected because these operations have a separate contract with unions.

Peabody's parent, Hanson, would also suffer from a prolonged strike. In 1991 it made a profit of $263.5m on sales of about $1.7bn, making it the second largest contributor, after tobacco, to Hanson's total earnings.

Industry analysts were not surprised that UMW chose Peabody, saying that the company was probably singled out because it is foreign-owned. The union is likely to have judged that industrial action would have had much greater impact if it struck first at a non-US-owned company.

This latest miners' strike – the first since the violence-plagued stoppage against the Pittston Coal in 1989 – comes at a time when the coal industry is producing more coal each year with fewer miners.

Just after the second world war, the US coal industry employed 320,000 miners who produced about 480m tons of coal a year. By 1979 employment had fallen to 220,000 but production had jumped 781m tons, and by last year, 103,000 miners were producing more than 1bn tons of coal.

REACHING OUT: There are now more ways than just the established media for Clinton to reach the public

# Less a honeymoon, more a new affair

## Jurek Martin on the altered relationship between media and president

IT IS still not quite clear who first claimed in print or on the air that President Bill Clinton's national honeymoon was over and his presidency damaged beyond repair. It probably happened before he even took office. It certainly has been the substance of many column inches and words since.

Yet, suddenly, in the past 72 hours, the great American media have begun to have second thoughts.

Not to the point of redeifying Mr Clinton, let alone his wife, but of wondering, even in a week when Dallas crushed Buffalo in the football Super Bowl, whether every political issue has to have an irrevocable winner and loser.

In a remarkable exercise in media self-criticism, Jonathan Alter, the Newsweek magazine columnist, offered an exquisite and entirely accurate summary of the overall thrust of the reporting of what, in his view, is now a "manic depressive" journalistic culture.

"He was a hero on election day, a goat during his early disorganised transition, a hero at the Little Rock economic conference, a goat during the week before taking office, a hero at the inauguration, a goat during the fights over Zoe Baird and gays in the military. In each case there may have been sound reasons to reach those judgments but little acknowledgment of their evanescence."

R.W. Apple, the veteran Washington bureau chief of the New York Times, a man not disposed to instant judgments unless on food and wine, suspects that it is more an awakened public than the media which is ringing the changes.

"A host of factors, including weakened political parties, wider coverage of governmental activities on cable television, the proliferation of pressure groups, the advent of radio and television call-in shows and a popular mood of scepticism and discontent reflected in the candidacy of Ross Perot, have repeatedly combined to prove the capital's conventional wisdom unwise."

Some are totally disdainful both of their own profession and the tendency towards participatory democracy. George Will, the conservative pundit who would have been at home in Plato's Republic, allows his lips to curl on television when he talks of the US as "a plebiscatory" in which there will soon be no point in sending members to Congress.

It is undeniable that Mr Clinton and the media are experiencing a rocky early relationship. Generalised factors include a media perception that he was given too easy a ride in the election (the president would disagree ), that he is *de facto* green because he is actually younger than many of the media doyens, and the suspicion – not without foundation – that he does not like the press (few politicians do these days).

Relations with the White House press corps are particularly fractious. This is normal, because the job of White House correspondent, with long hours, minimal freedom of movement and dependence on photo opportunities and whatever information is doled out, is nothing like as glamorous as it sounds.

The main consolation is guaranteed air time and the front page, with inevitable emphasis on well turned soundbites and snappy judgments.

George Stephanopoulos, the principal spokesman, has not always been sensitive to this bear garden in the first two weeks. Operating erratically on Clinton Standard Time, restricting access to some offices and occasionally being a little too smart for his own good, he has invited criticism not just of himself but of his president.

But Mr Apple's broader point about new pressure points may be more important in the longer run. Last year's election campaign demonstrated that the established media had lost its monopoly of the dissemination of political information and analysis, as candidates by the dozen took to the talk and call-in shows (many featuring, it might be said, establishment journalists like Mr Will).

The first sign that Ms Baird's employment of illegal immigrants might jeopardise her nomination to be attorney general surfaced on the talk shows around the country.

In Washington, where the Clinton transition was partly operating, it appeared a minor matter and the Senate judiciary committee gave her an initial warm welcome. When mounting public criticism reached even the capital's radio stations, she was gone.

But the new genre has a short attention span and Ms Baird now seems but an historical footnote.

The latest focus has been on homosexuals in the military, and this time the evidence was of orchestration by well-organised pressure groups, mostly on the religious right. Some popular talk show hosts, like Rush Limbaugh, a ferocious conservative, needed no stoking.

There is nothing new in this – ever since the Pony Express, congressmen and presidents have been intermittently deluged with mail from distant quarters. But there may be a new unwillingness on the part of elected representatives, Mr Clinton included, to disregard the voices of the people in the Perotian age.

Not that all are uninformed. The audiences that CNN and C-Span, the cable channels, command may look small in the ratings but they seem to pull weight. C-Span is turning out to be something of a national phenomenon. Still mostly set up to air, without adornment, debates in Congress, it has expanded into viewer call-ins and the sort of serious discussion programmes and seminars on government affairs that was thought would only appeal to political groupies.

There are more of these *aficionados* than might *be expected. Your correspondent's* one appearance on C-Span, not exactly a knockabout pre-recorded discussion on foreign affairs, resulted in more calls from around the country than anything written for the FT in the past 26 years.

It would probably, therefore, be as misleading to rush into premature judgment on the new media as the media is to rush into premature judgment on the new president.

As Republican Senator Robert Dole said this week: "It's a long road and he's only had a bumpy beginning." Or, as Jonathan Alter observed: "What goes down must come up. And down and up and down and up until we're all dizzy."

# Woolsey spies new targets for the CIA

By Jurek Martin in Washington

THE CIA faces greater challenges in the future than it did during the cold war, according to Mr James Woolsey, President Bill Clinton's choice to run the US intelligence agency.

In Senate confirmation hearings yesterday, Mr Woolsey *said he would try to find ways* of cutting his agency's budget – still a classified figure but thought to be about $28.5bn a year – but not to the point of weakening US intelligence gathering capabilities.

In his prepared statement he said, "yes, we have slain a large dragon" in the former Soviet Union. "But we now live in a jungle filled with a bewildering variety of poisonous snakes, and in many ways the dragon was easier to keep track of."

He thought the CIA's own structure, which he said was prone to "excessive compartmentalisation", did not always help in dissemination of necessary intelligence.

Several senators, all predisposed to confirming him in office, agreed with this analysis. They drew particular attention to the question of the CIA's involvement in economic and commercial intelligence.

On Monday, Mr George Stephanopoulos, chief White House spokesman, said Mr Clinton wanted the agency "to focus more on economic interests and economic intelligence, which is where the real competition is now".

Senator John Warner, the *Virginia Republican,* conceded "the growing number of views" advocating that the US follow the European lead in this respect.

But, he added, "these proposals raise serious doubt about the proper role of the US intelligence community, as well as questions concerning the companies which would receive such information, and their status as US or foreign-owned companies".

But Senator Max Baucus, the Montana Democrat, while agreeing that the question was "troublesome," urged Mr Woolsey to "grapple with it" and come up with some "definite policy".

While diplomatically neutral in his response to these comments, Mr Woolsey is known to be interested in the area of economic intelligence.

# Bush anti-union orders overturned

By Jurek Martin

PRESIDENT Bill Clinton has rescinded two Bush administration directives which the trade union movement considered unfair.

The first prohibited companies which entered into project agreements with unions from competing for federal contracts. It was issued by President George Bush just before last November's election in return for the backing of the trade association representing non-union building companies.

The second, issued earlier last year, required the posting of notices on all federal projects advising workers of their rights not to pay union dues according to the terms of a 1988 Supreme Court ruling.

Mr Clinton's actions are reminiscent of those taken on the first Friday of his presidency when he lifted several Bush and Reagan orders limiting access to abortion.

Mr Clinton said he had acted "to restore a needed balance in America's workplace" and to reduce "unnecessary federal government intrusion". He said that project agreements with unions allowed more reliable cost estimates and promoted safety in the workplace.

# Rulers of Haiti reject UN plans for democracy

By Canute James in Kingston

THE AUTHORITIES in Haiti have balked at an agreement reached just over a fortnight ago for the restoration of democracy in the Caribbean republic.

The country's military rulers and the government they have set up have indicated strong reservations over implementation of the United Nations brokered plan.

Mr Marc Bazin, de facto prime minister, has rejected proposals for international observers to speak to Haitians without prior government approval.

This followed a statement by Gen Raoul Cedras, the head of the military and the effective leader of the country, that he had not agreed to any plan for the restoration of democracy and for the return to the country of Mr Jean-Bertrand Aristide, Haiti's president, overthrown by the army and sent into exile 16 months ago.

The statements by Mr Bazin and Gen Cedras have put into doubt the usefulness of an accord reportedly reached last month with Mr Dante Caputo, a UN special envoy, in which the military appeared to have yielded to international pressure by saying it was willing to discuss the restoration of democracy for the country's 7m people.

Mr Caputo has since returned to Haiti in what appears to be an effort to discuss the objections of the authorities and prevent the scuttling of the UN plan.

Mr Bazin said that while he was still in agreement with the UN plan to send the observers to Haiti, and was prepared to negotiate restoration of democracy, his de facto government would not permit the observers to interview Haitians.

Diplomats in Port-au-Prince, Haiti's capital, say the latest statements, particularly those of Gen Cedras, have reinforced widely held beliefs that the military will not lightly step down and allow Mr Aristide's return.

They also say the authorities fear that uncensored contact between individual Haitians and the UN observers would damage the authorities, who have been accused of the murder, beating and imprisonment of its critics.

Army leaders maintain privately that Mr Aristide would not be allowed back into Haiti "under any conditions".

# Mexico's air traffic control deal flies into flak

## The award of the contract for the country's new system has called up a storm, write **Damian Fraser and Stephen Fidler**

MEXICO'S crowded air corridors are one manifestation of the country's economic recovery. But air traffic is growing far faster than the economy, and that is putting Mexico's air traffic control system under immense strain.

Some 700 flights a day used Mexico City airport last year, with commercial traffic in and out of the capital 32 per cent up on 1991. The air traffic control system was designed in the late 1970s to handle less than half that.

The computers used by the system in the main air traffic control centres are not integrated, so as a result operators have to talk to each other through a hotline about flights passing from one zone to another.

Mexico's air traffic control agency last year began briefing air traffic technology companies on plans for a radical upgrading of the system, including – most importantly – the integration of the system's computers.

However, the awarding of the prestigious contract to the two European companies which installed the current system has brought strong protests to the Mexican government from competing US and Canadian companies. IBM, Westinghouse and Raytheon's Canadian subsidiary have formally complained about alleged irregularities in the tender process which resulted in the award of the $21.1m contract to Thomson of France for the data processing system and Alenia, a subsidiary of IRI of Italy, to provide the radars.

The tender, announced in August, was cancelled at the last moment on November 19 because, according to the official explanation, none of the seven contenders complied with the technical specifications. Seven bids to supply data processing equipment and radars were made: IBM, which bid only to provide data processing equipment, Calmaquip offering Westinghouse technology, Raytheon Canada, Thomson, Plessey (Siemens), Toshiba of Japan and Alenia.

Mr Roberto Kobeh, head of Seneam, the state company in charge of air traffic control, said experts from his agency, the Mexican Institute of Communication, an independent government body, and the Canadian firm Martin Marietta signed a document outlining where the companies had not complied with the tender requirements. He showed such a document to an FT reporter but would not let him read it in full, nor identify where these companies were not complying.

However, an agent acting for IBM claims he was told before the cancellation that the tender would be called off unless he paid money. According to the agent, Mr Kaveh Moussavi, an Oxford-educated entrepreneur with homes in the US and UK, three men – apparently Mexican officials – arranged to meet him in his hotel, the Nikko in Mexico City. They initially asked for $1m and then for lower amounts, according to Mr Moussavi, eventually suggesting a donation to the Mexican government's anti-poverty programme, Solidarity.

Mr Moussavi says he declined to entertain the proposals of the men whom he described as well-informed about the tender. He told them that if they were officials seeking a bribe or were going to pay over the money to officials, it was illegal under US law for a US company to make such a payment. There is no independent corroboration of the meeting.

IBM, Calmaquip and Raytheon vehemently deny that their bids did not comply with the tender requirements. Mr Armando Paz, chief financial officer of the Miami-based Calmaquip, said: "Westinghouse and IBM use the newest, most advanced technology in the world... If someone says you do not comply that is unacceptable and you fight to the end. It is a slight to our reputation."

IBM in its protest says: "Contrary to the evaluation reported in the referenced letter, IBM believes it is fully compliant with the specification." Raytheon is of the same opinion.

An IBM spokesman also said the protest argued that the government, in awarding the tender, had failed to take account of the cost of the system over its lifetime – including maintenance and spares – which Seneam had originally said would significantly influence its decision. According to the US company, the second tender was awarded only on the basis of the system's acquisition cost.

'There are many things here that smell like smoking guns,' said one foreign diplomat

In the first tender offer, the protesting companies and diplomats who have seen the relevant documents say Thomson offered to supply the computers for the air traffic control system at $33m – making it by far the most expensive system on offer. IBM says it offered $21.5m in the first offer, with Raytheon offering still less.

Mr Kobeh of Seneam says $33m figure is too high, and that Thomson offered to supply the computers at $25m. Thomson refused to comment on this or any other matters relating to the case.

The government called a second round of bids in December with reduced specifications. There was consternation among competitors when the winning $13.2m bid by Thomson for the computer system was made public. "I can't see how any company can reduce its bid by that amount of money," says Mr Paz.

The other contenders reduced bids by a maximum of 9 per cent, against the reduction of 47 or 60 per cent by Thomson in the computer bids. Together with Alenia's winning $7.9m radar bid, the combined bid was just $600,000 below the next-lowest combined bid of $21.7m by Raytheon.

Calmaquip says it believes Thomson did not comply with specifications in the second bid, since the Thomson system is not fully operational in another country – one of the conditions of the tender. Mr Kobeh said Thomson's basic technology is used in many parts of the world, but claimed all of the systems offered were tailor-made to suit Mexico's needs.

Thomson's refusal to comment has made it difficult to know whether some of these claims reflect the frustration of US companies of not being able to offer such attractive terms as a state-owned European group, such as Thomson. Aggressive pricing in such tenders is not unknown and may simply reflect the importance of the business for the European company.

If as Mr Kobeh claims, there were no irregularities in the bidding process, the unwillingess of the Mexican authorities to release promptly all the relevant documents has left the US and Canadian companies feeling cheated. At the least, the bitter complaints and report of requests for money in a hotel room feed a common – if still to be substantiated – view that favouritism and corruption clouds awards of many government contracts in Mexico.

Nafta will over time open up most of Mexico's public sector procurement to US and Canadian companies. But critics of Nafta have long argued that as long as corruption plays an important part of business, companies that play by the rules will not benefit fully from such market opening.

While the business climate has improved immeasurably in Mexico in recent years, corruption remains a way of life for many well-placed lower and middle-level officials, and is rife in the police force, and parts of the judiciary. If a company loses a contract for not influencing the right people, it will find it difficult to use Mexico's legal system to recover damages. And if corruption comes to light, it is often when the official concerned is out of political favour. Those blessed with a powerful patron usually remain well-protected.

# Exporters 'face risks in Europe'

By David Dodwell, World Trade Editor

UK exporters to other parts of Europe "are facing very seriously increased risks", with overdue accounts up by more than one third in 1992 as recession and bankruptcies lead to defaults in countries once regarded as virtually risk-free, according to NCM Credit Insurance, Britain's leading private sector export credit insurer.

"The environment is very dangerous," said Mr Colin Foxall, NCM's chief executive: "It is important that people should realise that doing business in Europe involves increasing risks."

The warnings come just two weeks after Mr Michael Heseltine, minister for trade and industry, and Mr Richard Needham, his deputy, launched a broad-ranging new initiative to boost exports across the EC called "Business in Europe." This is part of a wider UK government strategy to revive the economy through export growth rather than domestic demand.

"Ministers are trying to encourage exports in Europe, but are not alerting them to the dangers," said Ms Conni Randall, NCM's director for business strategy.

The value of overdue accounts in the EC in 1992 amounted to £72m, up from £53m in 1991. The company describes an even more stark deterioration over the five years from 1987 to 1992, where real losses reported by UK companies exporting to the EC have more than trebled.

Avoiding actual numbers for reasons of business confidentiality, NCM says losses reported on exports to Portugal have soared 27-fold between 1987 and 1992. Losses reported for Spain have risen by 805 per cent, with Belgium up 530 per cent, and even Germany up 300 per cent.

"The opportunities that devaluation in the UK are going to present are not going to be easily absorbed because of the state of these economies, which are slowing down or presenting considerable difficulties in terms of defaults," Ms Randall said.

Mr Foxall insisted that while NCM's data was not comprehensive, it was unquestionably representative. NCM provided export credit insurance for exports worth £14bn in 1992, involving 6,000 companies trading with 222 countries, accounting for 80 per cent of the policies written for UK exporters. Trade Indemnity, the UK's second most important export credit insurer, reported that a survey of 600 companies showed the trading outlook for UK companies remained "ominous", with under-capacity, and cancelled orders.

# Maastricht referendum on the line

By David Owen

BRITISH VOTERS are to have their say on the Maastricht Treaty after all. At least, those prepared to pay the price of a pint of beer for the privilege.

Baroness Thatcher, the former UK prime minister, was on hand at the Palace of Westminster yesterday to help launch Dial For Democracy – a telephone referendum on the treaty.

The idea is to give eligible voters the chance to express a view by dialling one of two numbers. Backers of the exercise hope both to provide a credible indication of how the British electorate would vote and to increase pressure on the government for an official referendum.

In serious if belligerent form, Lady Thatcher said: "We alone of the people in Europe have not been invaded or occupied for 1,000 years".

Proceeds will be used to minimise instances of improper, under-age or multiple voting. Lines will remain open for at least a month. Lord Pearson of Rannoch, who will sit on the scrutiny committee, has to date underwritten the exercise to the tune of £10,000-£15,000.

Subsequent investigation revealed that calls last just over 2½ minutes, billed at 48p a minute outside cheap rate hours.

Yesterday's event culminated with Lady Thatcher casting what was billed as the first vote of the poll using a pristine white telephone on the desk in front of her. Or did she? On later inspection, the telephone appeared to be dead.

# Business called in to help cut bureaucracy

**Seven task forces formed in fresh attack on UK red tape as prime minister renews pledge to cut costs, report Alison Smith and Charles Batchelor**

SEVEN task forces of businessmen and women are to be called in to review more than 7,000 government regulations affecting the private sector, as ministers begin a new offensive against bureaucratic 'red tape'.

A Downing Street seminar of cabinet ministers agreed yesterday that small groups of private sector appointees should be set up to look at regulation in areas such as construction, engineering, chemicals and financial services.

They will work closely with Lord Sainsbury, the government's de-regulation adviser, and are intended to be able to call on trade associations and major companies in the relevant sectors, to ensure that ministers get a proper picture of what business would like to see achieved in the review.

The aim is to look again at the need for all the existing regulations, including European Community legislation, and the UK's rigorous approach to its implementation.

Mr Michael Heseltine, the trade and industry secretary, and Mr John Major will receive progress reports every two months, as part of the effort to ensure that the de-regulation drive retains more momentum than its predecessors.

In the House of Commons, the prime minister said that ministers had also agreed that "in future any proposal for new regulations will have specifically to spell out the cost for Britain's companies." The current estimate of the cost to business of enforcing government regulations is £800m-£1bn a year.

Among the rules already scrapped are regulations about the distances between clothes pegs in changing rooms, and requirements for factory walls to be washed every 14 months. The statutory registration of architects is among the targets the department of the environment has in its sights.

Business organisations and small business owners last night welcomed the announcement of the government's initiative, but said a lot of hard work would be necessary for it to have any significant impact in the future.

Some expressed disappointment at the trivial nature of some of the 56 measures which government departments said they had already taken or were planning to implement.

While in private ministers talk about the need to keep some sense of proportion in government's attempts to legislate against risks faced by the public, Mr Heseltine yesterday insisted that the government would not take chances with safety.

● The government's revenue-raising agencies were among those called to Downing Street. They had re-packaged a number of existing initiatives to offer as part of the DTI's deregulatory initiative.

For example HM Customs & Excise was singled out under five areas:

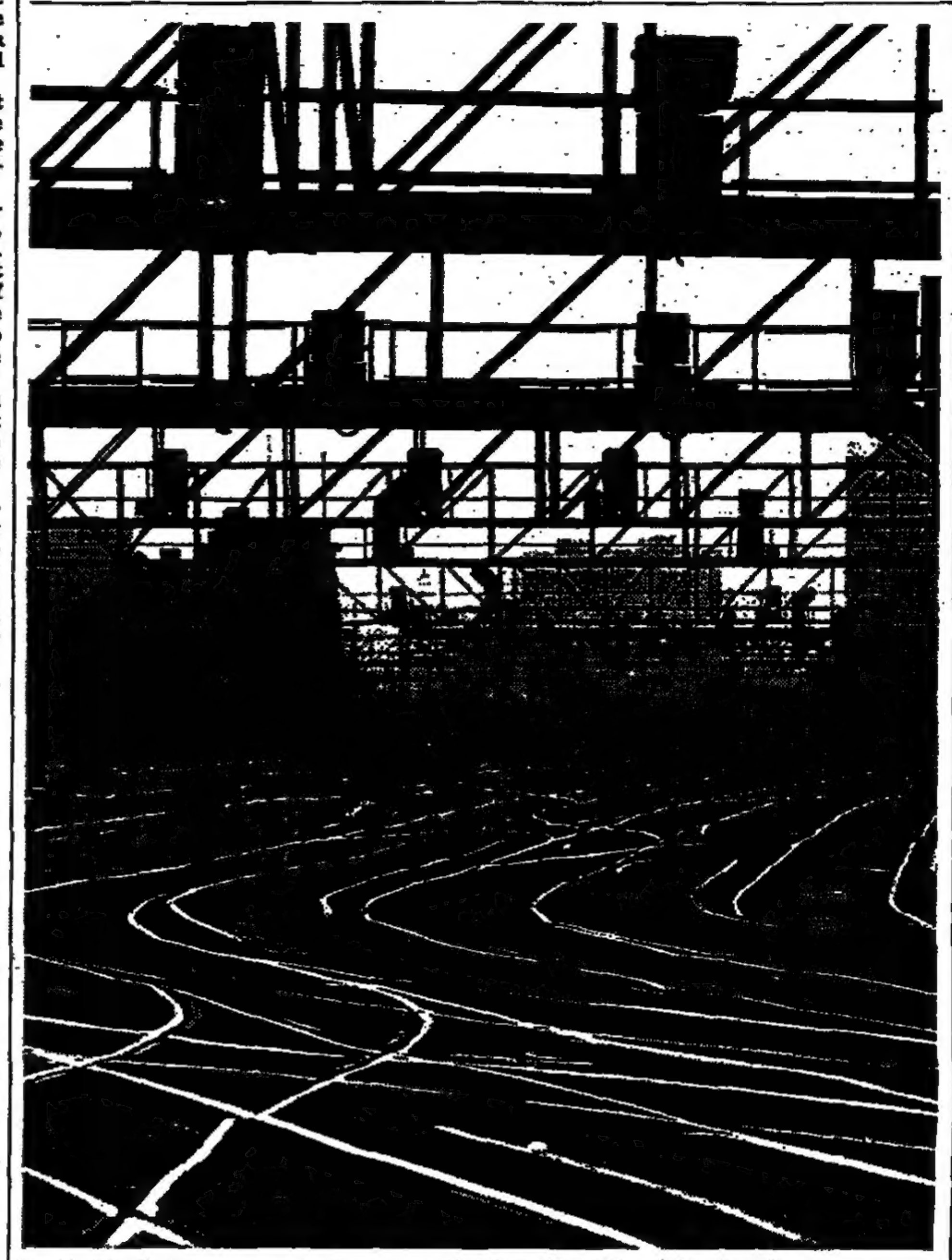
● Substantial reduction in forms, as a result of the single European market.

● Abolition of duties on mechanical lighters and matches.

● Increased thresholds for value added tax and cash accounting.

● Review of the registration and licensing requirements for excise and inland customs.

● Proposals to decriminalise many excise offences, and the introduction of an independent appeals system.



THE WAY AHEAD: government aims to tempt freight traffic off the road to the rails

# Fifth of services for passengers private by 1995

By Richard Tomkins, Transport Correspondent

PASSENGER services on nearly a fifth of Britain's railway network are likely to be in the private sector hands by the end of next year, the government announced yesterday.

It also came up with surprise package of grants and other incentives aimed at encouraging freight traffic to switch from road to rail.

A new system of grants will in some cases give private sector freight carriers a free ride on Britain's railway tracks if that is what it takes to persuade them to use the railways instead of the roads.

The government also plans to open consulations on raising maximum lorry weights from 38 tonnes to 44 tonees for special vehicles which transfer their loads from road to rail for the larger part of their journey.

The announcements came as Mr John MacGregor, transport secretary, defended the government's controverisal rail privatisation plans in the second reading of the Railways Bill.

Mr MacGregor named seven parts of British Rail which will be split off from the rest of the network this year and managed autonomously by BR staff on an experimental basis pending privatisation.

Ranging in size from the Isle of Wight railway to ScotRail, they also include three InterCity routes - East Coast, Great Western and Gatwick Express - and two Network SouthEast commuter services - the London, Tilbury & Southend line and the whole of the South West division between London Waterloo and south-west England.

The government hopes that by preparing these routes for privatisation now, they can be moved swiftly into private hands soon after the planned launch of the privatisation process in April 1994.

Other parts of the passenger railway will take much longer, but Mr MacGregor said the government's proposals for franchising out the operation of all BR's passenger services would be mapped out in the next few months.

One side-effect of the proposals is to pose a threat to the future of the InterCity network, which now looks likely to be broken up into separate franchises. InterCity's existing management had hoped to bid for the franchise to operate the network intact.

The Department of Transport said it had not reached any conclusions on the future of InterCity, but said it had not ruled out the possibility that a single bidder could win more than one francbise.

The prosposals won praise from Sir Bob Reid, BR chairman, who had previously expressed hostility to some aspects of the government's plans. He particularly welcomed the measures intended to boost railfreight.

# Major defends chancellor

By Philip Stephens and James Blitz

MR JOHN MAJOR yesterday staged an ostentatious display of public support for Mr Norman Lamont in an attempt to shore up the chancellor of the exchequer's authority in the run-up to the March 16 budget.

But his defence of the chancellor failed to rally the pound which slipped to new lows on the foreign exchange markets.

Downing Street refused to be drawn on the widespread speculation at Westminster that Mr Lamont will be moved from the Treasury in a summer cabinet reshuffle.

That left most Conservative MPs believing that Mr Lamont probably would be given another department in June or July.

In a carefully planned performance which saw Mr Major and Mr Lamont side-by-side in the House of Commons, the prime minister flatly rejected Labour charges that speculation about Mr Lamont's future had undermined fatally his credibility.

During angry exchanges with Mr John Smith, the opposition Labour leader, Mr Major said that neither he nor Mr Lamont would be "pushed around" by unfounded reports.

Mr Smith said the confusion of recent days had demonstrated that: "We have a chancellor with no credibility and a government with no economic policy".

Mr Major's support for the chancellor had little impact on foreign exchange markets. In late London trading, the pound slipped to \$1.4400 against the dollar, a new low for this year, before closing nearly a cent down on the day at \$1.4460.

Sterling was slightly stronger against the D-Mark for most of the day. However, the UK currency slipped ½ a pfennig in late trading, closing at DM2.3750.

The sterling index, which is monitored by the chancellor as an overall guide to the currency's strength, closed at an historic low of 77.1, down 0.3 percentage points on the day.

# Britain in brief

## UK to get all Philips cathode work

Philips, the large Dutch electronics group, said that it had decided to concentrate all production of cathodes for television tubes at its Blackburn, Lancashire, plant.

The company currently produces some 60 per cent of its global output of cathodes in Blackburn with the remainder being manufactured at Sittard in Holland.

A Philips spokesman said the decision had been taken as part of a drive to cut production costs. He said the production facilities in Blackburn could be developed to produce cathodes more efficiently.

The move is evidence of the "clear and tough" measures the company promised last November to improve performance in consumer electronics and components.

Some 200 people are employed in Blackburn in cathode production. The spokeman would not say whether the decision would lead to either further investment or more jobs at the Blackburn plant. He also said he did not know the salary differential between workers in Sittard and in Blackburn but that salary costs had not been part of the decision. 1350 people work at Sittard: 166 workers were involved in cathode production and forced redundancies could not be ruled out, a spokeman said.

## Acost finds gap in patient care

New measures are needed to translate advances in medical research into improved patient care, the government's Advisory Council on Science and Technology said yesterday.

Acost identified a "development gap" in the transfer of Britain's "world class" medical research to improved treatments.

"Frustrated inventors contrast British industry's reluctance to pick up technology at an early stage, because of the risks involved, with the enthusiasm shown by US and Japanese manufacturers for new product ideas and for their willingness to invest for the long-term."

To bridge the gap, Acost wants the government to set up a programme that would channel public and private funds towards exploiting ideas from universities and the National Health Service.

## Britain's reserves up

Britain's gold and foreign currency reserves rose an underlying \$38m last month, according to figures from the Treasury. The overall level of official reserves rose by \$902m, taking reserves at the end of the month to \$42,556m compared with \$41,654m at the end of December. The Treasury said that the dollar value of the UK Ecu-denominated revolving credit facility, agreed just shortly before the pound left the ERM in September, rose by \$2m as a result of exchange rate changes.

## Test torment for England

*India defeated England by eight wickets in the first Test match, proclaiming the magic of its three spinners who had tormented the Englishmen in both innings.*

*With 43 runs needed on Tuesday to reach the victory target of 79, India completed the task in 65 minutes to go up 1-0 in the three-match series.*

*Resuming from the overnight 36 without loss, India lost openers Navjot Sidhu (37) and Manoj Prabhakar (18) to bad shots. Vinod Kambli, aged only 18, hit the winning shot, a boundary, to steer India to 82 for 2.*

*The game laid bare England's susceptibility to spin as they were bowled out for 163 in the first innings in reply to India's 371. In the follow-on second innings, they could make only 286.*

*The trio of slow left-armer Venkatapathy Raju, off-spinner Rajesh Chauhan and top spinner Anil Kumble, took 17 of the 20 English wickets in the match.*

## Welsh spending to total £1.5bn

Capital spending in Wales is to total about £1.5bn in 1993-94, representing a year-on-year increase of 8.5 per cent, Mr David Hunt, Welsh secretary, announced yesterday.

Mr Hunt also unveiled details of seven new industrial projects involving investment by companies of more than £13m.

He said the projects, backed by regional selective assistance, would help create more than 600 jobs and safeguard 260 existing ones in Wales.

## Ford aims to cut fuel bills

BP Energy, a subsidiary of British Petroleum, has won a contract to manage the energy requirements of Ford's Halewood site on Merseyside – the largest UK contract energy project.

BP Energy will take over responsibility for Ford's entire energy requirements at Halewood in a move that could save the plant more than £1m a year in fuel bills. Ford presently pays about £11m in annual heating and electricity costs at Halewood where it uses 210 MegaWatts of thermal energy – equivalent to the heating requirements of a small town.

## £ure of the silver screen

Film directors' whims for shooting scenes against a backdrop of the newly-cleaned Palace of Westminster, the bustle of Piccadilly or council estates of inner London will be easier to indulge under plans being drawn up by the Department of National Heritage.

Ministers want to set up a London-wide body to help film companies seeking locations in London. The aim is to short-cut bureaucratic and time-consuming negotiations often needed with local authorities. The department has decided to step in because of a fear that other countries – particularly France and the US – are winning business from film companies that could go to the UK. Ministers believe the move will also help promote tourism.

## Galileo may shed 200 jobs

About 200 jobs in computer operations are expected to be lost at Galileo's Swindon headquarters as a result of the merger between the UK-based airline reservation system and the US Covia system.

The merged company's data processing operations will be carried out at a combined centre in Denver, Colorado, and Galileo's Swindon operations will be transferred there over the next nine to 12 months.

## Arms-for-Iraq inquiry delayed

The volume of material gathered by the judicial inquiry into the arms-for-Iraq scandal is so great that it is likely to delay its conclusion at least until the end of the year.

Lord Justice Scott, who is heading the inquiry, is believed to have hoped to conclude his findings by early summer. This is now seen as the earliest date by which witnesses – including former and current ministers – will begin to be called.

The Scott inquiry has been gathering a large number of documents, many previously classified, from government departments detailing the involvement of those departments in Britain's trade with Iraq in the 1980s.

## Printers' claim

Representatives of printing workers lodged a claim for a "substantial" wage increase and an increase of one week, to six, on holiday entitlement.

# Hoover workers get lump sum for deal

By Robert Taylor, Labour Correspondent

WORKERS at Hoover's Cambuslang plant in Glasgow will receive one-off payments averaging about 20 per cent of annual wages for accepting the controversial deal on working practices that led to the closure of the US household appliance manufacturer's factory at Dijon, France.

The one-off payments consist of £2,500 for every worker as compensation for the end of restrictive practices and demarcation lines with a further £150 for every worker as a goodwill payment.

Hoover's shift workers will also receive a one-off compensation payment of £500 for accepting the reduction in the three-shift premium rate from 156 per cent to 133 per cent of the basic rate, the industry average.

The company imposed a pay freeze last March and the present pay agreement will last until the end of this year. Basic weekly pay rates range between £169.80 for a labourer to £212.55 for a craftsman fitter.

Yesterday the leaders of the Amalgamated Engineering and Electrical Union robustly defended the Cambuslang deal. "We have nothing to be ashamed of", said Mr Jimmy Airlie, the union's executive officer for Scotland.

"We're not involved in social dumping. We will be apologising to nobody for what we have done. In the circumstances it was the best deal we could reach with the company", he said.

On Thursday, Mr John Weakley, an AEEU executive member who is not directly involved in the Cambuslang deal, will meet officials of the European Metalworkers Federation in Brussels, including a delegation from the CFDT and FO unions in France.

The EMF' s executive requested the meeting to discuss the Cambuslang agreement.

But he made it clear yesterday that he would not be discussing "the detail of the Cambuslang deal".

# Car parks espionage 'was prolonged to increase earnings'

By Catherine Milton and John Mason

A SECURITY company hired by National Car Parks to spy on Europarks, its main business rival, prolonged its industrial espionage to earn more money from NCP, an Old Bailey jury heard yesterday.

Preliminary investigations into Europarks by KAS, the security company set up by Sir David Stirling, founder of the SAS, indicated the company was winning car park contracts fairly by undercutting NCP, the court heard.

Europarks was not winning business by obtaining confidential information about NCP as its rival had initially suspected.

A former consultant with KAS, identified only as "Mr C", agreed the contract had been revived as an "earner" on the initiative of Mr Kenneth Edwards, a KAS finance director and others. "Mr C", a former SAS soldier, said he had then briefed former Army captain Ms Jane Turpin on security procedures before she was planted as a mole in Europarks' organisation.

Mr Simon Hewitt, then a manager with KAS, and Mr Edwards had separately told him of their intention to use Ms Turpin to "get the information or to see if there was any information."

"Mr C" agreed that the management of KAS, which he had once regarded as the "Rolls-Royce" of security companies, was more than "a bit of a shambles".

Mr Hewitt and Mr Gordon Layton, the chief executive of NCP, both deny conspiring to defraud Europarks by dishonestly acquiring information relating to its business affairs between January 1987 and January 1989.

Earlier, the court heard another former KAS employee describe how he wrote a feasibility report outlining a possible covert operation to gain information about Europarks and its personnel as well as another project to identify security deficiencies within NCP. Mr David Paterson also described his attempts to secure a job with Europarks using a false *curriculum vitae* which left out his work as a policeman and intelligence operative in Rhodesia.

He admitted deceiving Europarks in his application for work but said he had regarded the NCP project as the legitimate activity of a security company such as KAS.

The trial continues today.

Do women or men make better bosses? **Diane Summers** reports on new research into management styles

# Another battle of the sexes

Women will always look for consensus, while men try to divide and rule. A woman will say: "These are the ways we can solve the problem – how many people can we get to agree with it?" A man says: "This is the way we are going to do it, and if you don't like it, you can resign".

That, at least, is one senior personnel manager's view of how male and female management styles contrast sharply in the workplace, from an interview in a report to be published next week*.

*The study, conducted* by headhunters Spencer Stuart, asks why so few women occupy top management positions, examining *en route* perceptions of leadership qualities.

It concludes that the stereotype of male and female ways of managing – typified by the personnel manager quoted – flatters because it ascribes to women an exceptional degree of generosity and humility.

This is damaging because it conceals differences among women and forms what is called The New Mythology. Old, politically incorrect assumptions are replaced with others just as inaccurate and unreliable, argues Spencer Stuart.

It is common now to hear companies being urged to take on what are typified as superior "female" management skills. The New Mythology sees the female management style as the most appropriate and effective in the modern corporation – less hierarchical than the male, more intuitive and open to change, more participative and, above all, more likely to encourage employees at every level to flourish.

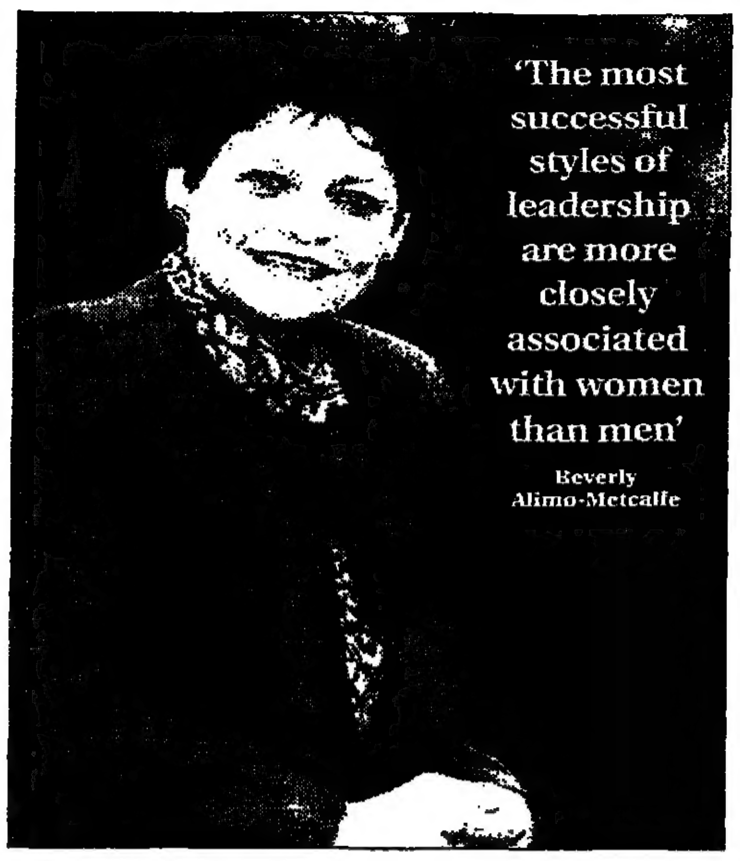
Where exactly do these new stereotypes come from, given that almost anybody who has experienced a range of female managers at work will easily be able to picture at least one who will pull rank and bark orders along with the worst of her male colleagues?

Beverly Alimo-Metcalfe, senior lecturer in *organisational* psychology at the University of Leeds, is one strong advocate of what are seen as essentially female management skills. She acknowledges the dangers of making new stereotypes but believes that "the most successful styles of leadership are more closely associated with women than men".

She points to research by Judy Rosener, carried out at the University of California and published in the Harvard Business Review. This suggested women were more likely to employ what is called in the jargon a "transformational" style of leadership; the men were more likely to be "transactional" leaders.

The difference between the two styles, as reported by Rosener, is supposedly this: "transactional" leaders see job performance as a series of transactions with subordinates; they exchange rewards for services rendered or punishment for inadequate performance. "Transformational" leaders get subordinates to transform their own self-interest into the interest of the group. They are more likely to use charisma, interpersonal skills and personal contacts to get what they want; *transactionals are more likely to* use their status in the organisation.

Alimo-Metcalfe also points to US case studies of organisations that had been in trouble but were then revitalised, where a common ingredient was the presence of a transformational leader. Her worry is that companies are failing to recruit and promote transformational leaders. Assessment centres run tests with a built-in bias in favour of the transactional style and therefore discriminate against women, she says.




One flaw in Rosener's research, according to Cynthia Fuchs Epstein, New York City University professor, is that men and women were not observed at work, but were asked, instead, to describe their own management styles.

Fuchs Epstein quotes the example from her own research on women attorneys of the "lawyer who described her style as 'caring' but who was characterised as a barracuda by a male associate".

George Bain, principal of the London Business School, has himself been a participant in a controlled experiment aimed at identifying differences between male and female management styles. Commissioned by the now-defunct Business magazine, the battery of tests conducted on a (self-selected) group of male and female managers led to the conclusion that "men and women executives have more talents in common than most people imagine," but also threw up significant differences: women paid more attention to detail and men were more competitive; perhaps more surprisingly, given The New Mythology, women were found to be less democratic.

But Bain is sceptical. "I don't think there are systematic differences between men and women managers. There are greater differences between the way one man manages and another man manages than there are between men and women as groups," he says.

Even overwhelming empirical evidence would leave him suspicious. "I would want to know if any differences in the way women manage were as a result of innate qualities or had developed because of the roles reserved for them," says Bain.

**Women in Management*, available free from Spencer Stuart, 16 Connaught Place, London W2 2ED*

# Inequality rules in Japan

The late 1980s surge in Tokyo stock prices and corporate profits was also a time of opportunity for Japanese women.

Mariko Mitsui was leader of the largest opposition party, and strong career-minded women were fashionable advertising props. There was even debate about the introduction of a new fast-track for women in big companies.

Female fortunes, however, have taken a tumble with the economic downturn – a change best illustrated by the fate of Mitsui, now an ex-member of the Social Democratic Party. A couple of years ago she represented a new era, but is now a symbol of the enduring discrimination against women.

Although as a member of the Tokyo Metropolitan Assembly, Mitsui set up the city's sexual harassment complaints office and stopped the metropolitan government from financially supporting beauty contests, she was criticised by male party members for her feminist views, and has even been a target for sexual harassment by a fellow council member.

"I thought the Social Democratic Party would have a liberal atmosphere, but it was just another male hierarchy," said Mitsui after resigning last month.

Most Japanese companies claim that women employees, on the same career track as men, receive equal opportunities. But one reason to doubt their commitment is recent evidence that they are becoming less willing to hire female graduates. Another is the small impact of the "sogoshoku" – a career track launched by image-conscious companies in 1986 which was supposed to give women the same promotion chances as men.

In practice, however, in addition to the rigid corporate hierarchy, female employees find that they are bound by the unspoken cultural roles required of Japanese women.

A study of office practices in 1,700 companies by Recruit Research indicated that 87.6 per cent had female employees serving tea to colleagues, 70.5 per cent made female employees wipe the office desks, while only 33.4 per cent allowed women into policy-making meetings and discussions.

"Of course the basic ideal is for men and women to be equal, but social roles are different, and this affects daily office work as well," says a manager at Seibu Department, a leading retailer famous for its women managers. If a client comes and the secretary is unavailable, a women rather than a man is required to make and serve tea.

Recruit also found that only 23.3 per cent of companies interviewed offered management opportunities for women. Corporate managers blame female employees' failure to justify the costs of training.

The low figure indicates the barrier may have more to do with unchanging attitudes towards professional women. Mitsui says of Japanese men: "They're just not brought up to think that women can be partners or rivals."

Emiko Terazono

# Headhunters lead business down road to academe

**Andrew Adonis** on the newest recruits to British universities

A new breed is stalking the top branches of British higher education: the headhunted vice-chancellor.

Professor Gerald Bernbaum, registrar of Leicester University, appointed today to succeed Baroness Pauline Perry as vice-chancellor of the new South Bank University, *is among the first*.

It was Saxton Bampfylde, the executive recruitment agency, that attracted him south, and made him only the second head of a "new" university (former polytechnic) to hail from one of the "old" variety.

"I knew the job was up, but definitely wouldn't have applied without Saxton Bampfylde," said Bernbaum, 56, who has spent the last six years masterminding Leicester's rapid expansion in student numbers.

It was not fear of stepping into Baroness Perry's capacious shoes: still less ignorance of the polytechnic sector. "I simply would not have thought it was the job for me; and without Saxton, there would have been no guarantee of speed and secrecy."

Bernbaum sets particular store by the latter. "I had to have confidentiality until a very late stage to protect my position at Leicester; you simply don't get that by replying to a newspaper ad." All his discussions were with Saxton until a late stage; it took only a few weeks from then to the appointment.

As with most recruitment agencies, Saxton Bampfylde's bread and butter still comes from the City. But it sees education and the public sector as a growing business. The new head of the Office for Standards in Education, Professor Stewart Sutherland, is its most prominent catch. It has also been in on the selection of two heads of Oxford colleges, and it is pitching for other posts at vice-chancellor level.

Saxton's services do not come cheap – around a third of the appointee's first-year salary plus expenses. But, says Gavin Mackenzie, a fellow of Jesus College, *Cambridge, on* secondment to Saxton as a consultant: "This market is bound to grow further, especially as universities realise that it is not only career academics that make excellent vice-chancellors."

By implication, next time South Bank could end up with, say, the marketing manager of Unilever. In fact, it was prepared to this time: it wanted candidates from outside the university world, and its shortlist included private sector executives. One made it to the final shortlist of three.

Why, then, are there so few higher education institutions with heads from outside academe? Senior civil servants and diplomats have long adorned Oxbridge lodgings; but Derek Roberts, deputy managing director of GEC until becoming provost of University College, London, in 1989, is almost alone in moving from a senior industrial post.

Remuneration may have something to do with it. But of late the governing councils of the new universities have shown remarkable generosity to their vice-chancellors, despite the depressed state of academic pay generally. Nearly-three-figure salaries are now not uncommon.

*A more serious obstacle appears* to be the cultural divide. Though headhunters have sometimes made a difference to the individual appointed, none of the universities or Oxbridge colleges employing them has yet gone for a type of person *they would not* have chosen on their own. "It would have been too much of a leap in the dark to do otherwise – and difficult to sell to colleagues," says an academic close to one such appointment.

*All, however, is not bleak for* the bored banker. Saxton Bampfylde has just been retained to find a new director general for the Royal Horticultural Society. £60,000 a year; car and benefits; interest in flowers desirable.



## LEGAL NOTICES

NOTICE OF RESOLUTION FOR PAYMENT OF CAPITAL
BROOKSIDE ENGINEERING (TUTBURY) LIMITED

NOTICE is hereby given in accordance with section 175 of the Companies Act 1985 that:

1. the above named company ('the Company') has approved by Special Resolution a payment out of capital for the purpose of redeeming its 43,000 Redeemable Cumulative Convertible Participating Preference 'A' Shares of £1 each,
2. the amount of the permissible capital payment (as defined by Sections 171 and 172 of the Companies Act 1985) for the shares in question is 43,000,
3. the date for the resolution for payment out of capital is 28th January 1993,
4. a statutory declaration and auditors' report required by section 173 of the Companies Act 1985 are available for inspection at the Company's registered office at Bridge Street, Tutbury, Staffordshire, DE13 9LZ and
5. any creditor of the Company may at any time within the five weeks immediately following the date of the resolution for payment out of capital apply to the Court under section 176 of the Companies Act 1985 for an order prohibiting the payment.

Dated 28th January 1993
J. D. Edwards, Company Secretary

## PERSONAL





## ANNOUNCEMENT

**For the sale by the Industrial Reconstruction Organisation (IRO) of the shares of the company AZINCO S.A.**

*The IRO announces a public auction for the highest bid for the sale of 52,617 ordinary registered voting shares with a nominal value of Drs.* 1,000 each of the company AZINCO S.A., registered in the Municipality of Metamorphosis, Attica, in accordance with the decision dated 2.12.92 of the Interministerial Committee for Denationalisation (ICD) and the provisions of articles 5, para. 1b and 6, para. 1h of Law 2000/91.

The shares offered for sale represent 100% of the total deposited share capital of the above company.

AZINCO S.A. was established in 1966 and is engaged in the production of plastic and cast-pressed parts for industrial use. The company's installations are contained in a self-owned factory building at Dragania, Thebes.

The terms set by the I.R.O. for the public auction for the highest bid, in accordance with the present announcement, are a follows:

**A. PROCEDURE**

1. Interested buyers are invited to receive from the offices of the IRO (234 Syngrou Avenue, Athens, 3rd Floor, I.R.O. Denationalisation Department) the Offering Memorandum in which the relevant data of the company have been summarised. Those who may have already obtained the Memorandum prior to the publication of this Announcement are invited to receive the new, revised and completed Memorandum.

   The Memorandum is obtainable from 0900 hrs on 8.2.93 to 1500 hrs on 10.2.93. Interested parties who will wish to obtain the Memorandum after this time will do so at their own risk insofar as the time remaining for them to check the company data and prepare their offer is sufficient before the date on which binding offers must be submitted. The offering MEmorandum will be handed to the interested parties themselves, in the case of individuals, and to a legal representative in the case of legal entities or associations, as well as to persons so authorised by a notarised power of attorney or an authorisation document on which the signature has been attested to by a police authority. The I.R.O. reserves the right to deny the Offering Memorandum to persons who do not fulfil the above requirements.

   All the data contained in the Offering Memorandum are indicative and aimed only at providing information. They are conditional on confirmation by interested parties while checking the company and cannot establish any liability on the part of the I.R.O. as to their accuracy or completeness.

2. **Confidentiality Agreement - Draft Agreement - Checking the Company.**
   On receiving the Offering Memorandum, the recipient will be obliged to sign a Confidentiality Agreement with respect to the data it contains. The I.R.O. reserves the right to hand over, also, to each recipient of the Memorandum, a Draft Agreement for the sale of the shares and set the time and procedure for negotiating its terms with each potential buyer before the submission of binding offers. Each potential buyer receiving the Offering Memorandum within the above time limits will be entitled to check the company's data. The time, which will not exceed 2 days, the dates and the remaining checking procedure will be specified by the I.R.O. on the basis of the date of submission of the binding offers, the number of interested parties and the priority in receiving the Offering Memorandum. Potential buyers who will ask for and obtain the Offering Memorandum beyond the time limit and on their own responsibility, will be treated and facilitated in the time left without any discrimination towards them, resulting solely from their own fault in receiving the Memorandum at a late date, being possibly construed as unequal treatment.

3. **Submission of Binding Offers - Unsealing.**
   Binding offers must be submitted at the latest by 1300 hrs on Thursday, 25th February 1993 at the offices of the I.R.O. at the address mentioned above, in return for receipt. Offers which have not been handed in personally but sent in any other manner (by post, etc) will be *considered as having been submitted in time and will be taken into account.*

   The offers will be unsealed on Thursday, 25th February 1993 at 1500 hrs at the offices of the I.R.O. The unsealing may be attended by anyone who has legally submitted a binding offer or by his legally authorised representative as described above. The offers will be unsealed, checked with regard to formality (letter of guarantees, composition, etc.) will be entered and will be attached to a special report on the unsealing which will be signed by those present. A copy of this report will be given to each person who has legally submitted an offer. Copies of the offers will not be released until the end of the auction for the highest bid.

4. **Evaluation - Adjudication**
   *Offers are kept by the I.R.O. and are evaluated at its discretion. The Board of Directors of the I.R.O. will make the final decision as to the* acceptance (adjudication) of an offer, or its rejection, within two months of its submission, i.e. up to 26th April 1993. Recalls, modifications, improvements etc of offers up to the final decision of the I.R.O. to adjudicate or the reject, and counter-offers are not acceptable and will not be considered.

**B. CONTENT OF THE OFFER**

Offers must be submitted within a sealed envelope entitled "BINDING OFFER FOR THE PURCHASE OF THE SHARES OF AZINCO S.A.". They must be written and signed and must not have erasures deletions or insertions will not be considered. Offers submitted in any other manner (e.g. by telegram, telex, fax, etc.) unsigned, or bearing erasures, deletions or insertions will not be considered. The offers must refer to the total of the shares for sale (52,617) and if this is not specifically mentioned or wrongly indicated it will be taken as referring to the total (52,617). They will contain a price expressed in drachmas. They will specify the manner of payment and, if payment is to be made of the whole amount or in instalments, will specify the exact dates of payment, without interest or with interest (and in this case at what rate), of each instalment and the guarantee provided for payment of these instalments. It should be noted in this respect that in evaluating such offers, their conversion to current value will be calculated at 22%. Any terms contained in the offers shall be absolutely clear and specific on pain of giving right to the I.R.O. at its discretion, to go as far as rejecting the offers.

The offer must include data on the identity and activity of the bidder, while a description of a business plan and the bindingness thereof, will be duly appreciated.

The duration of the offers must be at least two months (i.e. up to 26.4.93).

**C. LETTER OF GUARANTEE**

The offer must be accompanied by a letter of guarantee from a bank legally operating in Greece for Drs. 40,000,000. The I.R.O., on delivery of the Offering Memorandum will provide a draft of this letter of guarantee which must be adhered to. Offers unaccompanied by a letter of guarantee, or accompanied by a letter of guarantee which, in the I.R.O.'s opinion is unsatisfactory, will not be considered.

**D. OTHER TERMS.**

1. The present in not a proposal for drawing up an agreement but an invitation to submit an offer.
2. The I.R.O. retains the right to cancel or postpone the auction at its discretion, to supplement or clarify or modify the terms of the present announcement and in general act within the framework of article 199 of the Civil Code and Law 2000/91, bound only by the decisions Interministerial Committee for Denationalisation.
3. All the expenses concerning or related to the transfer of the shares and the participation in general and execution of the present procedure shall be borne by the buyer and each of the participants accordingly.
4. The participation of each of the potential buyers in the present auction presupposes the full and unequivocal acceptance of the terms of the present announcement.
5. Any previous relative announcement, invitation or proclamation, etc is hereby revoked and the only valid terms are those contained in the present announcement.

For any further information or clarification, interested parties can apply to the I.R.O., Denationalisation Department, Tel. 30-1-952.5540-9.

*Athens, 2nd February 1993*

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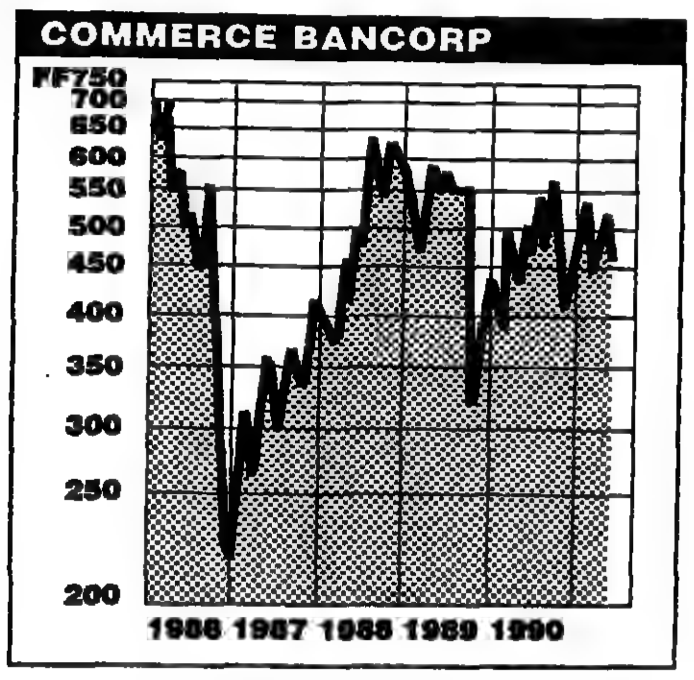


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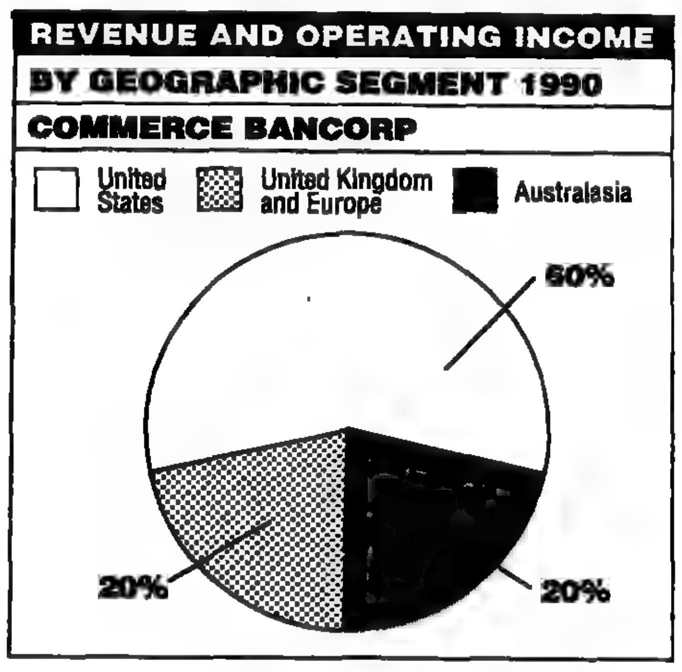
| $m | Assets rank | %ch. | % latest | % prev. | rank latest | rank prev. | Pre-tax profit $m | %ch. |
| 172,973 | 28 | 0.4 | 4.19 | 3.99 | 719 | 656 | 714 | 0.1 |
| 223,814 | 17 | 10.5 | 3.16 | 3.01 | 888 | 821 | 1,086 | 52.4 |
| 162,661 | 30 | 2.1 | 4.32 | 4.05 | 693 | 639 | 1,115 | 317.7 |
| 215,355 | 20 | 0.2 | 3.16 | 3.42 | 887 | 762 | -221 | -127.3 |
| 114,004 | 47 | 4.5 | 5.78 | 5.14 | 461 | 466 | 1,873 | 33.9 |

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# BUSINESS AND THE ENVIRONMENT

## Dam takes root

Vetiver, a coarse tropical grass, is the most practical solution to the global problem of soil erosion, which destroys millions of hectares of farmland every year, the US National Research Council said last week.

That conclusion vindicates a campaign by a small group of agriculturalists in the World Bank's Asia division, who have been extolling the virtues of vetiver for more than 10 years, in face of widespread scientific scepticism.

Vetiver, a native of India, is best known for the fragrance extracted from its roots for use in soaps and perfumes. But, according to the NRC, a hedge of vetiver planted across a hillside makes a superb "botanical dam" that can hold soil in place and withstand the run-off from torrential downpours over a period of decades. Its roots go more than two metres into the ground and the tough blade-like leaves grow two metres high.

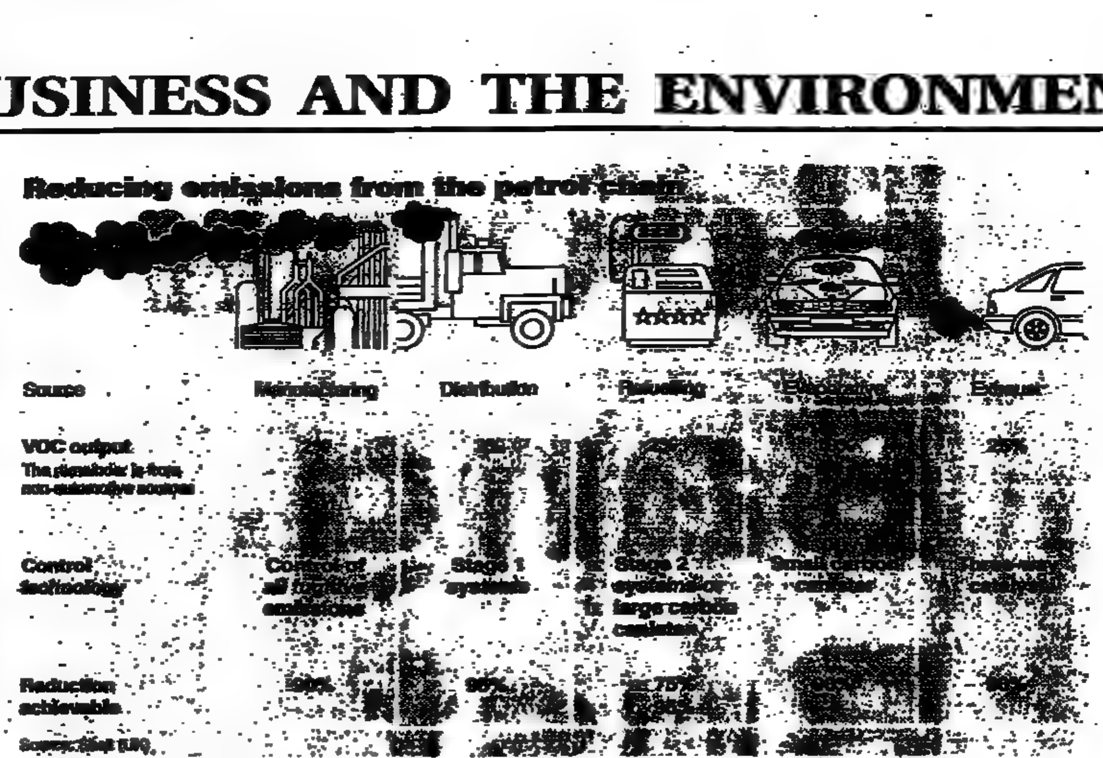
One advantage of vetiver is that the grass exists in sterile forms which stay in place for decades without spreading. In contrast, some other plants used to curb erosion have rampaged out of control.

Although vetiver's native habitat is hot and humid, the plant is astonishingly adaptable, says the NRC. It has performed well in poor soils in dry countries and has even withstood frost in the southern US and China. But the NRC calls for more research to breed varieties suitable for cold climates.

"I was sceptical at first," says Norman Borlaug – winner of a Nobel Prize for his contribution to the "green revolution" – who chaired the NRC investigation of vetiver. "But I've seen vetiver at work. And I know that in these times of great ecological concern about what is happening to our soil because of erosion, vetiver could indeed play a very useful role in many places."

The NRC calls for vetiver to be put into widespread use without delay. Field trials should test a variety of new applications, including protecting roads and railways from flooding and landslides. The grass is already being planted in the Philippines to help re-stabilise roads destroyed by the 1990 earthquake in northern Luzon.

**Clive Cookson**




VOCs are the latest airborne villains and their control means costs but also opportunities, says **Peter Knight**

## Smothering the vapours

Down at the low-technology end of manufacturing, even the humblest products are caught up in the greening of industry.

Pressure to clean up the air is forcing a striking change in traditional methods where solvents are used; that includes such mundane activities as the manufacture of bottle tops and shoe soles. This is the result of an international attempt, led by the United Nations, to reduce volatile organic compounds in the air over Europe.

VOCs are the vapours given off by a range of chemicals used in industry, such as solvents, and contained in consumer products, such as house paint and petrol.

The compounds collect in the atmosphere and react with sunlight to form photochemical smog and low-level ozone. These smogs irritate the breathing system and can be particularly harmful to the health of young children, the elderly, those with breathing complaints and people who exercise outdoors. Some VOCs are implicated in global warming.

Western European countries have signed a UN treaty to reduce VOC emissions to two thirds of 1988 levels by 1999. Each government is responsible for devising plans to meet the target. Also, the EC is working on legislation to force certain sectors like the petrochemical and oil industries to make big cuts in VOC emissions before the end of the decade. UK law already controls emissions from industrial printers and other users of ink.

Besides these official pressures, there are growing demands from retailers and business buyers for products that do not pollute. But some industries complain that the cost of compliance is too high, while others argue over who should take responsibility for emissions.

However, the same pressures are a spur to innovation, creating lucrative opportunities for those who can develop traditional products, such as glues, paints and inks, that do not emit VOCs.

"Probably the whole drive behind all of the research in the market for car paint is geared towards reducing VOCs," says Bob McGuiness, European marketing director for automotive paints at ICI.

The European market for equipment that controls VOCs is set to double to $652m (£430m) a year by 1997, according to researchers Frost and Sullivan – and this figure is purely for devices that can be bolted on to existing processes; it does not include alternatives such as solvent-free inks and paints.

It is these substitutes that are going to help hard-pressed smaller businesses like the shoe maker and bottle top manufacturer, which do not have the capital to invest in equipment that catches VOCs before they escape to the air.

"There is a big opportunity for makers of water-based inks because they take the trouble out of controlling VOCs," says Jan Vernon of consultants KPMG. "They solve many health and environmental problems and remove the need for costly monitoring and control systems. For many companies, these inks will be the only affordable option."

**Vapour recovery devices would capture about three quarters of the VOCs emitted when motorists fill up**

The European oil industry is particularly hard hit by EC demands to reduce vapours that evaporate during the making, storage and distribution of fuels. "The first stage of controls will require industry to invest $2bn by early next century," says Klaus Kohlhase, BP's head of health, safety and environment.

If the proposed second stage – now under discussion – is carried out, the industry will have to spend a further $1bn installing vapour recovery units at service stations.

These devices catch emitted vapours when motorists fill their tanks. But because the petrol pump attachments are expensive and not necessarily the most efficient solution, the oil industry wants car makers to fit carbon canisters to petrol tanks.

Shell UK estimates that vapour recovery devices on the forecourt would capture about three quarters of the VOCs emitted when motorists fill up, while canisters would collect more than 95 per cent. The carbon is regenerated when captured VOCs are drawn into the engine and burnt.

The car industry does not want to fit these canisters because of the cost. And the EC does not favour the solution because it would take too long – about 10 years before all cars were fitted.

The oil industry argues that its operations contribute only small amounts to industry's overall VOC emissions. Furthermore, most problems with fuels arise when vehicles are used, through unburnt fuel in exhaust fumes and evaporation from petrol tanks and fuel lines.

But the oil industry is looking seriously at ways to prevent vapours from escaping during distribution. BP researchers have produced one of the more innovative solutions by adapting the idea of the wine box.

A collapsible plastic bag is placed inside storage tanks and road tankers. The fuel is sealed in the bag and is never exposed to the air at any stage during distribution. Trials have been promising, but the technology is expensive and BP has not decided yet how it will be used.

Although technologies designed to prevent evaporation help save a potentially valuable product, the benefits for oil companies are few and the costs high. It is clear that all companies will have to find affordable solutions to the problem of VOCs because the pressures from both regulators and the market look set to increase. "No one will be able to escape the pressures to control VOC emissions," says Vernon.

## Filthy fuels foot the bill

**By Bronwen Maddox**

The "greenness" of one kind of fuel over another has been hotly contested in the debate on the future of the UK coal industry. But putting numbers on the environmental damage done by each fuel type to clarify that debate is notoriously difficult.

In the US many states have been forced to do just that by two decades of ambitious environmental legislation: frequently they force utilities to include environmental costs in their applications for new energy contracts. A consultancy report* for the European Commission analysing the US experience concludes that environmental costs add between 50 per cent and 100 per cent to the conventional "economic" costs of generating electricity.

The report, prepared by the Association for the Conservation of Energy, says that US 32 states "have taken some action to account for environmental externalities" – the costs normally "external" to the electricity market's prices. But the methods used to put money values on environmental damage vary widely – as do the values themselves.

Most methods avoid "damage cost assessment" – putting a figure directly on environmental and health damage from pollution. That approach runs into difficulty over the treatment of different probabilities of damage – how, for example, to deal with the uncertainty over whether carbon dioxide emissions are causing global warming or not.

Instead, most measure "control costs" – the extra costs imposed by legislation – and assume that the money value of environmental damage is greater, or the law would not have been passed. This makes the figures easy to find, but the report comments that it assumes unrealistically that legislators accurately estimated environmental damage.

One study by the Tellus Institute, a US think-tank quoted by the EC report, says US power plants face costs between 47 per cent and 103 per cent higher than older plants because of new legislation. The conventionally-measured cost of generating power with "new coal" – stations equipped with filters for nitrogen and sulphur oxides – is about 8.6 c/KWh (cents per kilowatt hour), but air pollution legislation adds 4 cents, or 47 per cent.

The conventional cost of generating with existing coal, about 6.9 c/KWh, rises with environmental costs to 14 cents, 104 per cent higher. Oil emerges as the "cheapest" on this basis, with conventional costs of 6.9 c/KWh and total costs of 11.7 c/KWh.

That estimate emphasises the difficulty of international comparison: a similar "provisional" study of UK environmental costs published by the Department of Trade and Industry in December had oil as the "dirtiest".

The report found too that there was wide variation at state and even district level. California, which has some of the most stringent environmental legislation in the US, has "different externality values across the state" because air pollution rules are set at regional level.

Environmental costs of building "new coal" plants in California were around 6.7 c/KWh, the report says, more than ten times those given by the Bonneville Power Administration, the federal agency in charge of power for five northwestern states.

This is because BPA calculations are based on the alternative "damage cost" approach and exclude estimates of the damage caused to the atmosphere by carbon dioxide emissions. The BPA felt it would be "premature" to judge whether global warming was occurring.

In a different attempt to address that uncertainty, New York state directed that planning applications should not set costs of controlling carbon dioxide emissions at more than 20 per cent of a low-cost technology such as tree planting. As a result, it has some of the lowest figures for "new coal" externalities: only 1.4 c/KWh.

Despite the shortcomings of these estimates, the report concludes that the attempts reduce the risk that future electricity customers will be hit suddenly by the costs of cleaning up.

**Accounting for the Environmental Costs of Energy Resources, a report for the European Commission by the Association for the Conservation of Energy, 9 Sherlock Mews, London W1M 3RH*



# PEOPLE

## Broughton becomes BAT's heir apparent

For the first time in its 90-year history, BAT Industries, the tobacco and financial services group, is to split the roles of chairman and chief executive.

Martin Broughton, 45, the non-smoking head of the financial services division, has been appointed group chief executive and deputy chairman.

He will be accountable to Sir Patrick Sheehy, chairman, for the management of the group's operations and the development of business and financial strategy.

Sir Patrick, 62, who has held both posts since 1982, says: "Dividing the roles of chairman and chief executive is very much a new and untried development. The board will review its appropriateness in two or three years' time when I intend to retire."

Broughton, who takes up his new post on April 1, was the City's tip to succeed Sir Patrick and the appointment was welcomed yesterday. Said one: "It is an evolutionary move, maintaining the commitment to the core businesses." Broughton confirms that there would be no change of direction. "Both tobacco and financial services are now growth businesses. There are lots of opportunities to be seized."

Broughton joined BAT in 1971, shortly after qualifying as a chartered accountant, and spent the next three years working in four continents as a travelling auditor for its tobacco operations.

He held a variety of financial positions before moving to Souza Cruz, the Brazilian tobacco subsidiary, in 1980,

becoming finance director in 1984. A year later he transferred to the group's insurance business as first finance director of Eagle Star. But he left in 1988 to join BAT Industries main board as finance director before the insurance business began to run into problems.

He joined the chairman's policy committee, the board's key executive body, in January 1990, assumed responsibility for group personnel six months later, and before the end of the year was appointed senior finance director.

Eight months ago, he was appointed group managing director, financial services, and chairman of Eagle Star.

Broughton has been a member of the CBI's economic affairs committee, and of the urgent issues task force of the Accounting Standards Board, since 1991.

He will head an executive management team whose other members will be Ulrich Herter, managing director of the tobacco operations, and David Allvey, group finance director.

Clive Mather has joined the board of Shell UK with responsibility for personnel and administration. He succeeds Ian Thornley who retired at the end of January.

Mather has been with Shell for 24 years, working for the company in Brunei, Gabon and South Africa. His previous position was general manager of human resources and public affairs for Shell UK's downstream oil division.

As one of his tasks Mather plans to build on Shell's solid foundation on equal opportunities; he is also the only male commissioner on the Equal Opportunities Commission. "It's important to find and develop top talent, particularly making sure we get our share of women," he says. "We have an enviable framework of policies in place and are working hard at changing attitudes across the organisation, but it will take a number of years to materialise."

## Finance moves

- Barry Dravers has been appointed a director of GREIG MIDDLETON.
- Richard Scott has been appointed an md of SECCOMBE MARSHALL & CAMPION.
- David Puddle, formerly marketing director of Midland Montagu Asset Management, has been appointed marketing director of PUTNAM in London and senior vice-president of Putnam Investments.
- Janet Thompson, formerly président and directoire of Banque Woolwich, has been appointed secretary of the WOOLWICH BUILDING SOCIETY. Charles Pelham, formerly head of survey and valuation at Ekins Professional, has been appointed md, and Peter Robinson, deputy group chief executive, chairman, of Woolwich Surveying Services, which will trade under the name Ekins Professional.
- Laurie Falkner, formerly a director of KLEINWORT BENSON SECURITIES, has been appointed a senior vice-president of FIDELITY BROKERAGE.
- Rupert Byng, formerly a director of international equities at BZW, has been appointed head of Mexican equity sales at OBSA International, the London branch of Grupo Financiero Serfin.

## Witt: expanding with Slimma

Tim Dewhirst, great grandson of Isaac Dewhirst – the Yorkshire merchant who gave Marks and Spencer its first big break – has been made executive chairman of the Dewhirst Group, the oldest supplier to Britain's premier high street retailer.

The promotion of the 39-year-old Dewhirst is part of a management reshuffle which includes the appointment of the first chief executive from outside the Dewhirst family – 39-year-old David Witt.

Witt (right), who only joined Dewhirst in September 1991, has a big company background, and his swift promotion to chief executive is a sign that the family-controlled firm is keen to strengthen its management. Having worked for UDS Tailoring in the 1970s he joined Slimma in 1979 and rose to be a main board director of its parent Tootal at the time of the Coats Viyella takeover.

Dewhirst is famous more for

its M&S connections than its recent performance. Isaac Dewhirst lent Michael Marks £5 to get his business started in the 1880s, and although he turned down Marks' subsequent offer of a partnership, put him in touch with his cashier – Thomas Spencer.

Today, Marks and Spencer has a market value of £8.6bn, while Dewhirst is capitalised at less than £70m and is reliant on M&S for 80 per cent of its business. The combination of steady margin erosion in the 1980s and heavy dependence on menswear fashions has meant that it has not always done as well as some long-established M&S suppliers. Two years ago it had to cut its dividend for the first time in its history.

However, its fortunes appear to have turned with the 1991 acquisition of Slimma. Not only did it bring in new management led by Witt, but it reduced the company's reliance on the fickle menswear market. Its shares have more than doubled since the rights issue to pay for Slimma.

Dewhirst takes over from Anthony Vice, former financial journalist and Rothschild merchant banker, who has been keeping the chairman's seat warm for him since 1988. Vice remains on the board as does James Dewhirst, who has relinquished his role as non-executive vice chairman.

Keeper Brian Harman and elephants in 'The Ark'

## Television/Patricia Morison

# Monkey business at the zoo

I confess to having initially felt sceptical about *The Ark* (BBC 2, Tuesday), Molly Dineen's four-part documentary of which the final episode will be screened next week. Even as a neighbour, the Zoo's fate had left me fairly cold beyond wondering in an idle way how much longer I will be able to watch gratis, from the canal path, the crazy gallops of the Arabian oryxes.

It seemed that the elephant-traps were baited for any film-maker embarking on a documentary about the Zoo which has been staring down the barrel of a gun for two decades. Its imminent closure has generated a huge amount of press coverage right up to the eleventh hour, which is where the Zoo currently is. What could a necessarily out-of-date film about the zoo's travail possibly achieve?

I have been confounded: *The Ark* has turned out to be a splendid example of documentary making at its most subtle and rigorously controlled. The dramatic pace is fierce, starting with the opening minutes showing the miserable anxiety of keepers, one third of whom faced the sack, to next week's final programme which will cover the inconclusive putsch of spring 1992. Not one trap has Ms Dineen fallen into. Few things lend themselves more to kitsch than shots of apparently mournful orang-utangs gazing round well-loved premises soon to be vacated for ever . . . And yet, the animals are kept on a tight leash and never allowed to steal the show, either from the human denizens of Regent's Park or from each other.

Last night's episode focussed on the arrival of two new Giant Pandas. After a brief shot of the male panda tumbling winsomely about, we were back with the meat of the matter, what the zoo-people thought. To the marketing people, the giant pandas are a mini-boom to be milked for soft-drink promotions and for the momentary upturn in gate-money. To the young keeper in charge of invertebrates, a mission to breed the last members of a tiny species of snail is no less valid than the sentimentalised conjunctions of pandas.

As London Zoo's Director David Jones negotiates between the German and Chinese authorities as to what should be done with any progeny of the happy couple, the Young Turks give their views. They see the brouhaha over pandas is merely another example of the world-wide hype and hypocrisy about saving species. "The panda is a political football"; breeding pandas, we were told, is not in fact difficult if only governments would agree to pool their pandas.

*The Ark* is, of course, a metaphor for Britain in the last 20 years, with the pandas rather neatly playing the role of the marriage of Charles and Di. Meanwhile, rot eats deep into the bowels of the Mappin Terraces and the aquarium. At the end of last night's programme, a group of academic Fellows of the Zoological Society (which legally owns the animals) has formed a secret compact with the more intellectual keepers. Their aim is to throw out the management team and derail its painfully-implemented survival package for the Ark.

The irony of course is that these very keepers were the ones we saw in the first programme successfully reapplying for their jobs and for promotion because they were presentable, ambitious types, the kind of people who ought to relish being "empowered" by running their own budgets. Next week's final episode sees the trap being sprung and the sympathetic Director failing to ride the tiger. For all that, of course the Ark has continued to drift but after Dineen's excellent series, who could remain wholly indifferent to its plight?

*Horizon; No Ordinary Genius* (BBC 1, Monday) was a straight-forward exercise in hagiography, yet none the worse for that. Scientists know about the physicist Richard Feynman, who died in Los Angeles in 1988. They know about him partly for his achievements over an extraordinary breadth of fields, but partly too because of his whacky character. For many non-scientists, however, the name Feynman meant little beyond, perhaps, recalling that he was a Nobel prize-winner.

At first it seemed a little over the top to devote two programmes to Feynman, but not by the time the time it reached the point where he was taking on NASA as the outsider, the loose cannon, on the Challenger Inquiry. At this time, Feynman was already seriously ill with the cancer which eventually killed him at the age of 69. We could have heard a little more about the zaniness of this free spirit, his infinite thirst for horse-play which is part of the scientific legend.

However, the programme's real strength was the reminiscences of Feynman's scientist colleagues, quietly spoken men through whose words we got not only a vivid impression of the tireless genius of the man they admired, but also of the compulsion, even the sheer aesthetic pleasure, which drives the best scientists in their quest for understanding of the universe.

"Enough was enough. Armed force was out. Marxist agitation was in." *Timewatch*, BBC 2's fortnightly history programme, last week dealt with the origins of the Provisional IRA. It aimed to be dramatic. Staccato commentary, to convey the drama. Not many dates. The result was banal. Like a tabloid newspaper.

Pity really. *The Sparks That Lit the Bonfire* ought to have been a cracker, with notable interviews with leading Irish politicians in power at the end of the 'sixties, members of the Republic's armed forces who brought the guns and money into Ulster, and the men who watched the IRA split. As it was, the commentary was unbearably vague and silly, and matters were not helped by interventions from a terrible folk-singer. "History took a fatal turn." Quite so, but let us hope the same is not now henceforth true of the *Timewatch* series.

Lack of editorial rigour seriously undermined BBC 2's lavish and long series, *The Trouble with Medicine* (Thursdays). Each programme strays hither and yon in its travels around the developed world. What should be a polemical inquiry into whether high-technology medicine regularly loses its way. This week *The Magic Bullet* was as prone to side-tracking as the rest. Fairly irrelevant to the grand theme were the Spanish herbalists frustrated by the law in their efforts to peddle concoctions of leaves. Ludicrously so was the encounter session, or some such gathering, of middle-class American women who we saw weeping (literally) over the sins of the big, nasty drug industry. What a very damp squib to lob at the drug manufacturers.

## Opera/David Murray

# 'Gomorra' in Vienna

Or: Vienna *as* Gomorrah, in H.K. Gruber's new "musical show" at the Volksoper. Not that the local elbow-digs in Richard Bletschacher's libretto matter much; for this Gomorra ("h"-less in German) might be any tidy, prosperous, enlightened Western capital, and the fire and flood which destroy it are no divine punishment, Old Testament style, but natural civic developments – set by Gruber to infernally buoyant music.

The fable is too transparent to need commentary. Gomorra, a liberal city-state with all modern comforts, is being visited by a representative of Higher Authority. As his tour of inspection begins, a Presenter proudly catalogues the innumerable fine things that Gomorrans own and cherish, and above all their great volunteer Fire Brigade, entrusted with preserving order and calm. (Distant cries from dissident Pyromaniacs are heard but ignored.) The climax of the visit is to be a grand ball, for which the local paper, "Public Opinion", wants an appealing Princess to choose the lottery-winner.

A freelance reporter and a photographer, Augustin and Flitzer, are sent to find one in the overloaded asylum for Endangered Existences (the homeless, the work-shy, dreamers, artists and musicians), a luxurious health-farm. They find Gwendolyn, a *Gastarbeiterin* from the North. She and Augustin fall into an irrelevant mutual rapture. In due course, transformed into a fashion victim by the newspaper, Gwendolyn takes the stand at the ball; but first Valentina, Augustin's recent paramour and daughter of the Chief Editor, makes a bitter, rebellious scene – and then the Pyromaniacs strike with fire at every corner of the city.

In Act 2, the warring popular forces take the foreground while the individual characters recede. The Pyromaniacs, who profess no creed but a vague sentiment for getting back to the land (wildly unrealistic, in the circumstances), exult in the city-wide holocaust; the Fire Brigade retreats underground to open the sluice-gates of the sewers, thus extinguishing the blaze but unfortunately drowning almost everybody in the flood. The Higher Authority man makes a suave departure by spaceship, without uttering a word of judgment, and Augustin and Gwendolyn – raptly impervious to everything – float away in a rubber dinghy to nowhere in particular.

Gruber's music underlines no moral, though his huge, swinging

> *This 'dispassionate music of merciless elegance' is aimed deliberately at young, pop-orientated ears*

"underwater can-can" finale for the waterlogged citizens betrays a grimly apocalyptic gloat. *Gomorra*, his longest work so far, pursues his disarmingly original, post-modernist vein less than an equally impassioned one: "dispassionate music of merciless elegance", aimed deliberately at young, pop-oriented ears.

The love duets – and Augustin's subversive paean to cigarette smoking, punctuated by satisfied smoke-rings – rejoice in lazy, sexy syncopations. The bass-lines rock overbearingly (Gruber made a notable career as a double-bass); odd taped sounds are enlisted, and live swanee-whistles, and at the end massed harmonicas in serene chords. Before that there are music-boxes in chorus, and a long unison-strings plea, expressly "reminiscent of Mahler or Berg" (as it certainly is, but also of Schoenberg's Moses in his last despairing cry: "O word that I lack!") broken by hostile bangs on empty petrol cans.

Upon its neo-Broadway, neo-Weill grounds, Gruber's score developed astringently and gorgeously. Among the Volksoper principals, Ildiko Raimondi's Gwendolyn and Hans Helm's Fire Chief deliver their roles with nicely expert wryness. Josef Luftensteiner's Augustin, properly droopy-eyed, sounds like an operetta-artiste where a plaintive pop-voice would suit better. The enthusiastic Valentina, Flitzer and pyromaniac Hilarius of Karin Goltz, Josef Fortner and Adolf Dallapozza are too much out of raw stock. Clasped (even rehearsed) within an overall frame, they do their nut but fail to wring our withers.

Some blame must be attached to the British producer Mike Fields. Up to a point, his vaudeville moppings-and-mowings for the multiple chorus were silly/funny enough; but Act 2, where the music expands to full-throated communal scale, looked far too bitty – it did not begin to match the elegance nor the exuberant menace of the score. Nor did the Volksoper chorus rise to the scathing precision of their music; they were indifferently co-ordinated and scatterbrained.

Perhaps their focus was blunted by politeness. The Volksoper's Sunday matinees are evidently populated by aged regulars, many of whom soon hobbled out in dudgeon, or at least stuck fingers in offended ears, as the (admittedly very loud) native ritual proceeded. The "Greisenlied" chorus of twitching wrinklies – "We *know* all that, including so-called 'love'!" got a dampened reception. All the same, *Gomorra* invites and deserves a production that will give full, various values to its crowd-content, which is popular as could be.

**Wiener Volksoper, sponsorship by Mobil and Olympia; further performances February 8 and 16**

## Dance/Clement Crisp

# CandoCo and NDT3

Ideas about the limitations we impose upon performance – through age or disability – were challenged in a double bill marking the opening of the Spring Loaded free dance festival on Monday at the Queen Elizabeth Hall. CandoCo is a group of dancers, three of whose members are confined to wheel-chairs, though not confined as performers. Nederlands Dans Theatre 3 is a quartet of professional dancers in middle life, whose careers might be supposed to be waning, if not waned. Its purpose is to show that there is performing life after 40, though in view of the repertory on view retirement might be considered a blessed relief.

NDT3's personnel for this visit were Martine van Hamel, Sabine Kupferberg, Niklas Ek, Gérard Lemaitre. The two offerings were vexatious, and served with malign skill to make the dancers look foolish. Jiri Kylian's *No Sleep till Dawn of Day* featured the two women, a line of 18 wooden chairs, a lullaby from the Solomon Islands (a miserable four-note phrase) and witless fragments of activity that conveyed nothing so much as the fact that the performers could do much better if given the opportunity. Mats Ek's *Journey* (with two scores by Steve Reich; three painted, dull and ambulant flats), found Lemaitre as a railway porter, the others as travellers. Niklas Ek was more boyishly vivacious than his years should permit; Miss van Hamel wore an unforgiveable red jersey tube. The movement was minimal, tiresome, and, as far as I could discern, pointless.

A programme note by Mr Kylian offered pietisms about the value of

Alastair Muir

**CandoCo in action**

mature dancers.It is a platitude that experience brings technical wisdom, stage mastery and that these are of incalculable value. Curious, then, that this repertory should so diminish the presence and skills of its performers. I thought it especially sad that Martine van Hamel, a distinguished and fascinating ballerina, should be seen in this *galère*. She and her companions deserve better. Many dancers have performed magnificently into their 50s without NDT3's special pleading.

CandoCo avoids NDT3's mistakes. It neither patronises its artists, nor makes them objects of a Poppy Day appeal for sympathy. We feel for the disabled members of the troupe. We recall Celeste Dandeker, a touchingly elegant dancer with the London Contemporary company, who broke her neck during a performance of *Stages* 20 years ago. Confined to a wheel-chair since, she has found a way to continue as an interpretative artist: Darshan Singh Bhuller's haunting film, *The Fall*, revealed her as a still potent figure.

With the dancer and choreographer Adam Benjamin as director, CandoCo proposes a dance text – a corporate effort – which confronts ideas of mobility, of how we expect people to move and how they may learn to move. Wheel-chairs can be abandoned; the severely disabled can create vivid emotional and dynamic situations away from their chairs as well as in them. The able-bodied and the physically limited jointly prove that limits are there to be overcome. It is on these terms inspiring, brave.

As choreography the piece – *Flying in the Face of . . .* – is uneven. Imagery feeds from the special circumstances of its casting, often powerfully: a duet for two men, one without legs, is astonishing both in its dynamic outlines and in its psychological resonances. Because of the huge sincerity of the movement, we believe and accept its structural premises. I found, though, a lack of aesthetic purpose which a single choreographic decision should impose. If I have a hope for CandoCo it is that a major creator be invited to work with the group: its idealism and artistic bravery merit the very best collaborators.

**The Spring Loaded festival continues with 30 companies in various theatres until April 10**

## Theatre/Malcolm Rutherford

# Worlds Apart

The Theatre Royal in Stratford East must be the friendliest theatre in London. Many of its performances go straight back to the comedy shows like *Take It From Here* that used to give such universal pleasure on the old BBC Radio: full of silly jokes, some of which are very funny.

*Worlds Apart*, the new work by the theatre's resident writer Paul Sirett, is far too good-natured to be much of a satire and too loosely structured to be much of a play, but it would be difficult not to enjoy it. As the genesis of a television series it would probably run for years, for there is no limit to what the immigration officers at London's Heathrow airport might get up to.

Heathrow is where the piece is set, or more precisely the SEA, which stands for the secondary examination area. British immigration officials are the "last blue line after us, Armageddon!" They are there to stop foreigners getting in, particularly if they are anything other than white and most of all if they use the dreaded words "political asylum". Any bureaucratic excuse will do to send them back.

The piece is quite clever about this. The word "colour" is never mentioned by the immigration authorities: the law is against discrimination of this kind. Still, the old prejudice lingers on. Those held up for examination in the SEA include a black American air force man coming for a weekend from Wiesbaden, a successful East African Asian who has long been a British citizen and was once voted young businessman of the year, a pregnant woman from Zaire coming to see her husband, a not very white looking Spanish dancer arriving for an international competition, and a Tibetan artist trying to get away from Chinese persecution by having stowed away on a freight plane from Angola.

Only the Tibetan is a genuine candidate for asylum. The authorities respond by saying that he can stay if, in effect, he agrees to spy on other Asian immigrants.

*Worlds Apart* is clever again in that the main conflicts take place more between the detainees themselves than with the authorities. The East African Asian, who has become more English than the English, takes a particular dislike to the black American. The latter plainly does not think much of Britain, regardless of colour.

The immigration officers are a less than homogeneous group as well. One of them spends his time composing scripts for pornographic telephone calls. Another leaks the presence of the Zairean lady to a liberal lawyer outside the airport. The explanation for this lack of solidarity is that the officer in question is not only gay; he is Welsh.

If the description makes the piece sound earnest, it is nothing of the kind. One suspects there will be a lot of topical ad-libbing from night to night. The East Africa Asian, played with effortless superiority by Madhav Sharma, passes the cricket test. On Monday he commiserated with the English over the dreadful collapse before the Indians in Calcutta: then he took a swipe at the Pakistanis.

The Spanish dancer has had planted on her some photographs to be delivered to a tabloid newspaper. Only the East African Asian recognises who is being exposed and wonders what the Conservative Party is coming to. Like his detention at the airport, he says it would never have happened under Margaret Thatcher.

Some of the jokes are low. One of the women in the immigration service left the police force because of sexual harassment. "God, they must have been desperate," says one of the men. It is old radio comedy brought up-to-date and made multi-ethnic, though still broadly unilingual. Jeff Teare directs and while Sirett could take his talents to television there is huge pleasure in seeing *Worlds Apart* on stage with a live script and a lively audience.

**Theatre Royal Stratford East (081) 534 0310**

*INTERNATIONAL*

# ARTS GUIDE

### ■ BARCELONA

**Gran Teatre del Liceu** Tonight, Sat, next Tues. Paolo Olmi conducts Michael Hampe's Pesaro production of La gazza ladra, with a cast headed by Leontina Vaduva and Alberto Rinaldi. Tomorrow: Gwyneth Jones song recital. Fri: Josep Pons conducts orchestral concert. Feb 15-27: Ballet de l'Opera de Paris (412 3532)
**Mercat de les Flors** Tomorrow, Fri, Sat, Sun: Angels Margarit in a solo dance work entitled Corol-La (318 8599)
**Palau de la Musica** Fri and Sat evening, Sun morning: Franz-Paul Decker conducts Barcelona City Orchestra in works by Roger, Saint-Saens and Richard Strauss (268 1000)

### ■ COLOGNE

**Philharmonie** Tonight: Peter Schreier sings Die schone Mullerin. Tomorrow: Moscow Chamber Chorus. Sun morning, Mon and Tues evening: Günter Wand conducts Gürzenich Orchestra in symphonies by Schumann and Brahms. Sun evening: Alexander Lazarev conducts Duisburg Symphony Orchestra in works by Glazunov and Mahler, with violin soloist Frank Peter Zimmermann. Next Wed: American String Quartet. Feb 14: Joan Baez. Feb 17: Anne Sophie Mutter (2801)
**Opernhaus** Tonight and Fri: Zar und Zimmermann. Feb 13, 17, 28: Lohengrin with Gary Lakes, Eva Johansson and Sergei Leiferkus (221 8400)

### ■ DRESDEN

**Semperoper** Tonight and Sun: La Cenerentola with Kathleen Kuhlmann. Tomorrow and Sun: Bartered Bride. Fri and Tues: Elektra. Mon: Liana Issakadze violin recital. The annual concerts on Feb 13 and 14 commemorating the wartime bombing of Dresden will be conducted this year by Colin Davis (484 2731)
**Kulturpalast** Sat and Sun: Vassili Sinaiski conducts Dresden Philharmonic Orchestra in works by Grieg, Prokofiev and Bruckner, with cello soloist Mischa Maisky (486 6306)

### ■ FRANKFURT

**MUSIC**

**Alte Oper** Tonight: Myra Melford Trio (jazz) Tomorrow: Anne Sofie von Otter song recital. Fri and Tues: Milva. Sat: Alfred Brendel plays Beethoven sonatas. Sun: Jonathan Nott conducts works by Berlioz, Bizet and Faure. Mon: Daniel Nazareth conducts MDR Symphony Orchestra in works by Beethoven and Mahler, with piano soloist Nelson Goerner (1340 400)
**Opernhaus** Fri, Sun and next Wed: Jan Fabre's ballet The Sound of One Hand Clapping. Sat: Carmen. Feb 13: revival of Britten's A Midsummer Night's Dream (236061)

**THEATRE**

**Schauspielhaus** Tomorrow: guest performance by Bernhard Minetti of his one-man show inspired by Grimms' Fairy Tales. Sun: late evening performance of John Hopkins' 1979 play Losing Time. Next Wed: first night of Anselm Weber's new production of Sophocles' Antigone (2123 7444)
**English Theater Kaiserstrasse** Sandy Wilson's musical comedy The Boy Friend, daily except Mon till March 6 (2423 1620)

### ■ HAMBURG

**Staatsoper** Tonight and Sat: Neumeier production of Nutcracker. Fri: Edita Gruberova song recital. Sun: Eliahu Inbal conducts first night of John Dew's new production of Aida, with Maria Guleghina, Livia Budai, Michael Sylvester and Franz Grundheber (also Feb 11, 14, 17, 20, 25, 28). Tues: Ariadne auf Naxos. Next Wed: Turandot (351721)

### ■ LEIPZIG

**Gewandhaus** Tomorrow and Fri: Kurt Masur conducts Leipzig Gewandhaus Orchestra in works by Richard Strauss, Elgar, Thiele and Beethoven, with cello soloist Robert Cohen. Sat afternoon (in Thomaskirche): Bach cantatas. Sat evening: Liane Issakadze violin recital. Sun: Edith Mathis sings opera arias with MDR Symphony Orchestra. Feb 11, 12: Nelson Freire (7132 280)

### ■ LYON

Michael Stern conducts Orchestre National de Lyon in works by Barber, Prokofiev and Schumann tomorrow and Sat at Auditorium Maurice Ravel (also Fri at Annecy), with violin soloist Boris Belkin (7860 3713). Feb 10-14: William Christie conducts Les Indes Galantes (7828 0960)

### ■ MADRID

**Teatro Lirico La Zarzuela** Jenufa: David Parry conducts Mario Gas's production, sung in Czech with Spanish surtitles. Opens on Mon, further performances Feb 11, 15, 19, 23. Cast includes Natalia Romanova, Leonie Rysanek and Jan Blinkhof (429 8225)
**Auditorio Nacional de Musica** Tomorrow: I Solisti Aquilani play works by Vivaldi, Bach, Prokofiev and others. Fri, Sat, Sun: Antoni Ros Marba conducts Spanish National Orchestra in a Haydn programme, with cello soloist Antonio Meneses (337 0100)

### ■ MUNICH

**Gasteig** Tonight, tomorrow, Sat: Sergiu Celibidache conducts Munich Philharmonic Orchestra in a Wagner programme. Next Tues: Daniel Nazareth conducts MDR Symphony Orchestra in works by Beethoven and Mahler, with piano soloist Nelson Goerner (4809 8614)
**Cuvillies-Theater** Tomorrow, Sat, Mon, Tues: Peter Schneider conducts Dieter Dorn's new production of Cosi fan tutte, with a cast including Amanda Roocroft and Manfred Hemm (221316)
**Prinzregententheater** Sun morning, Mon and Tues: Pinchas Steinberg conducts Bavarian State Orchestra and Chorus in Elgar's Cello Concerto (Boris Pergamenshikov) and Holst's Planets Suite (221316)
**Gärtnerplatztheater** Tomorrow, Sat, next Wed: Don Giovanni. Fri and Mon: Ariadne auf Naxos. Sun: ballet mixed bill. Tues: Eine Nacht in Venedig (201 6767)

### ■ NEW YORK

**THEATRE**

● Anna Christie: Eugene O'Neill's soul-baring drama about failed life and love on the high seas, starring Liam Neeson as the drunken, lyrical suitor to Natasha Richardson's fallen Anna, with Rip Torn as her sad, sodden father. David Leveaux directs. Till Feb 28 (Roundabout Theatre, 1530 Broadway at 45th St, 869 8400)
● Someone Who'll Watch Over Me: American premiere of Frank McGuinness's drama about three men from the West who learn to overcome their differences while being held in a single cell in Beirut. Robin Lefevre directs a cast led by Alex McCowen (Booth Theatre, 222 West 45th St, 239 6200)
● Oleanna: David Mamet takes on political correctness, sexual harassment and a number of other isms in this brief, powerful drama that stirs up ideologues (Orpheum Theatre, 126 Second Ave between Seventh and Eighth Streets, 307 4100)
● Remembrance: Graham Reid's melancholy love story involving a Catholic and Protestant in contemporary Belfast (John Houseman Theatre, 450 West 42nd St, 967 9077)
● The Last Yankee: Arthur Miller's comic drama about two couples who meet in a mental hospital and try to make their marriages work. Till Feb 28 (City Center Stage II, 131 West 55th St between Sixth and Seventh Avenues, 581 1212)

### ■ ROME

**Teatro Olimpico** Tomorrow: Emerson Quartet plays works by Mozart, Berg and Webern. Next Thurs: Russian pianist Anatol Ugorski (323 4890)
**Teatro dell'Opera** Fri: La bohème. Mon: Alfredo Kraus song recital. Tues: first night of Bizet's Pearl Fishers, conducted by Michel Plasson, in repertory till Feb 26 (481 7003)

### ■ STRASBOURG

**Théâtre Municipal** Tonight: first night of Bertrand Sauvat's new production of L'elisir d'amore, with Constance Hauman as Adina and Alessandro Safina as Nemorino. Repeated on Fri, Sun afternoon, next Tues and Fri (8875 4823)

**European Cable and Satellite Business TV**

(all times are Central European Time)

**MONDAY TO THURSDAY**

**Super Channel:** European Business Today 0700; 22.30

**MONDAY**

**Super Channel:** West of Moscow 1200.
**Super Channel:** Financial Times Reports 0630

**THURSDAY**

**Sky News:** Financial Times Reports 2030; 0130

**FRIDAY**

**Super Channel:** European Business Today 0700; 1200; 2230
**Sky News:** Financial Times Reports 0530

**SATURDAY**

**Super Channel:** Financial Times Reports 0830
**Sky News:** West of Moscow 1130; 2230

**SUNDAY**

**Super Channel:** West of Moscow 1830
**Super Channel:** Financial Times Reports 1900
**Sky News:** West of Moscow 0230; 0530
**Sky News:** Financial Times Reports 1330; 2030

## Edward Mortimer

# A line in the marsh

### A cautionary tale of Europe's future

From where he stood, leaning against the cornice of the bay window, the prime minister could just read some of the banners as the parade passed up Whitehall: "Stop fascism *now*"; "*Hands off Listonia*"; "Today Listonia, tomorrow London".

Wearily he turned to face the room where his colleagues were awaiting a decision they knew only he could take. Foreign policy was, after all, Douglas Hurd's acknowledged forte. It was the reputation he had built up as foreign secretary, steering British interests through the rocks and whirlpools of the "new disorder", *that had made him the obvious* choice to lead the national government formed after the UK economy collapsed in 1994.

It quickly became clear that Hurd was the only Tory prime minister Labour would serve under, and no one objected to *his* keeping the foreign office as well. His success in dissuading the Clinton administration *from blundering into Bosnia* in its first year was generally admired, not least in the British and US armed forces, who believed he had saved them from a Vietnam-like quagmire.

And now, Douglas knew as he looked round the anxious *faces at the cabinet table,* they were relying on him to do it again. The Listonian crisis was getting out of hand. Those TV pictures of villages laid waste by Cossack "irregulars", who everyone knew were operating from bases in Russian terri*tory, had brought in massive* postbags for every MP.

Why was that, Douglas wondered, refilling his cup of Earl Grey tea to give himself a moment's more thinking time. After all, destroyed villages in eastern Europe were a pretty *familiar sight. Even back in* 1993 he had told the Royal Institute of International Affairs that "there is nothing new in mass rape, in the shooting of civilians, in war crimes, ethnic cleansing, in the burning of towns and villages". At that *time such things still had* a certain power to shock when they happened in Europe and were shown on TV, but surely we were past that by now.

*Perhaps it was the swastikas* daubed on the walls, or the fact that the male inhabitants of all ages had been mutilated?

Or was it the way the tabloid press – so much of it now German-owned or influenced – was playing up the story? Probably a bit of both, but in his *view it was the truculent tone* of the new Russian regime that had done most to unsettle public opinion. Not only had it stopped pretending it was not involved in the events in Caucasia and the Baltic; it had warned ominously that similar events would happen in Ukraine if authorities there did not show more "respect" for *the Russian population.*

**By 1994 Douglas Hurd, the prime minister, could no longer ignore the truculent tone of the new Russian regime**

Slowly Douglas realised that someone in the room was *speaking. It was Ashdown,* the secretary of state for defence – a man whose presence in the cabinet Hurd regarded as the downside of coalition government. Putting him at defence had been a clever move, of course. It meant he could rush *around visiting the troops,* but was obliged to face the fact that there were simply not enough of them to right all the world's wrongs.

All the same, Ashdown had been getting troublesome of late. He had a knack of making speeches which, without actually contradicting government policy, seemed to fan rather than soothe the mood of militant indignation that was *sweeping the country.* Even Lady Thatcher was said to except him, privately, from her constant excoriation of "this spineless government". And what was he saying now? Something about having warned all along that the rot would spread if it wasn't stopped in Yugoslavia.

Douglas adjourned the meeting for an hour and put through a call to Washington. Not to the president: he had learnt quite early on that he *could not be sure of getting* him on the line. It was more effective, in any case, to work through Warren Christopher, a man who shared, to a large extent, his own cautious and sceptical world view.

Yes, Warren confirmed, pressure was building up there too – on the Hill, especially – for some kind of intervention. Something was needed to head it off. A joint statement, perhaps, by the P3 – the three *western permanent members* of the Security Council – to "draw a line in the marshes".

Fax machines whined in Downing Street, in Foggy Bottom and in the Elysée Palace. President Chirac amended successive drafts to make it clear (i) that Nato was not involved, (ii) that no military action was contemplated, and (iii) that if military action was taken France would be present *"au premier rang"*. But by midnight Douglas was able to reconvene the cabinet and present them with an agreed text, the careful phrasing of which gave him once again that comforting *glow of pride in British* draftsmanship. It deplored atrocities "by all sides", and warned that "the international community would react with the utmost energy to any extension of the fighting, particularly across state borders".

When he had finished reading, colleagues pressed forward to shake Douglas's hand. Now at last they had something concrete to offer at their weekend surgeries. He waved away their congratulations, with the merest hint of impatience, but *allowed himself* to accept a double whisky from Snodgrass, the Downing Street butler.

Just as he raised the glass to his lips, the mahogany telephone on the slightly worn green leather desk began to ring. It was Charles Buffett-Brown, *his private secretary in* the Foreign Office. "Sorry to bother you so late, prime minister, but I thought you'd want to know. Russian troops have *crossed the Polish frontier."*

*The column is a response to a short story by Douglas Hurd in a Sunday newspaper*

# Auditors called to account

### The DTI is studying the results of one year of professional self-regulation, says Andrew Jack

Within the next few days, senior Department of Trade and Industry officials are to issue their verdict on the future of audit regulation in the UK. For the accountancy *profession*, their conclusions are unlikely to be comforting.

*The first year of the new self*-regulatory regime for auditors ended last October. The government is now considering the outcome in advance of a fuller review of the system at the end of this year.

What emerges is a picture of failure by many parts of the profession to meet the standards it has set for itself. Equally important, far wider concerns over the scope and provision of audits and the *mechanisms for their regula*tion have been put under the spotlight.

Auditing – the annual independent scrutiny of a company's accounts – was first enshrined in UK law in the middle of the last century in *response to a series of financial* scandals. It became mandatory at the turn of the century for all incorporated companies – those which limit liability to assets of the business.

But the question of who audits the auditors was not addressed until far more recently. It was only in 1989 that a new UK companies act – *generated by requirements* in the EC's eighth company law directive – introduced the requirement for regulation of the profession.

A regulatory regime was set up by October 1991, to be overseen by the DTI but run by the *accountancy profession's own* bodies. All firms and individual practitioners who wished to audit companies had to register with one of five bodies: the three chartered accountancy institutes covering the UK, the chartered association of certified accountants, or the association of authorised public accountants – a small group outside these bodies.

The reports submitted to the DTI by the five bodies have raised concerns over the quality of auditing. They examine a significant number of complaints mainly by companies or investors over issues such as the level of fees, lack of response to correspondence *and inadequate audit work.*

Inspectors from the five professional groups identified problems in a high proportion of both random visits and those triggered by complaints. From 158 *random visits to* auditors by the three chartered bodies, just 11 firms passed all *of a series of questions on* audit independence, control, training and methods. As one senior regulator says: "I'm not happy. It's no use sweeping it under the carpet. Serious action has to be taken."

Those views are echoed by Mr Harry Youngs, head of practice regulation at the Chartered Association of Certified Accountants. "The results don't come as any great surprise," he says. "One of the biggest problems for a significant minority of small practitioners is competence. The standards in the large firms have not always been reflected at the smaller end."

Two recent surveys of audit practitioners have shown that *many have been forced to* make fundamental changes to their systems and procedures to meet the requirements of the regulatory regime.

Publicly, the regulators are playing down the findings of the reports. They say that random monitoring only got fully under way in the second half-year of the new regime, from *last* spring. Once firms understood that mechanisms had been introduced to monitor standards, many quickly improved their performance.

Mr Colin Brown, head of the chartered accountants' audit regulation policy co-ordinating *committee, says: "It is too* early to make any final judgments. There are elements that need to be remedied and they are being remedied."

Other regulators stress that many auditors judged unsatisfactory had not delivered poor-quality audits. Rather, they did not have adequate documentary records to back up their conclusions. However, the reports of the five bodies provide little evidence to support this view.

*What they do* show is the highly segmented structure of the auditing profession. There are nearly 14,300 separate registered audit firms and practitioners in the UK (a firm counts as one, no matter how many audit practitioners it employs). But just 161 firms audit all companies quoted on the London Stock Exchange, and eight firms alone audit three-quarters of them. If another tier of 1,300 large, unquoted companies is added, there are still only about 300 firms carrying out the audits. *All the other auditors share* the remaining 1.1m limited liability companies.

Auditing standards have thus been focused on the few large firms which carry out the vast majority of audits on leading UK companies. But they have been applied equally to the large number of small firms and their many, less significant clients. The imbalance revealed by the figures in the reports is fuelling calls made over the past year by chartered accountants and small business groups that statutory audits should be abolished for small companies – a position currently being examined by the DTI.

The submissions have also raised questions about how *effective monitoring is proving.* "The problem is trying to find one set of standards to suit everyone, which are going to get under the surface of the big firms and not overload the small ones," says Ms Stella Fearnley, an lecturer at Southampton University.

**UK audit regulation: Oct 91-Sept 92**

| | Chartered accountants | Certified accountants | Authorised accountants |
|---|---|---|---|
| Individual members | 113,000 | 39,000 | 1,100 |
| No. of firms/practitioners registered for audits | 9,850 | 3,890 | 560 |
| No. of inspections | 212 | 297 | 40 |
| Share of registration applications rejected or withdrawn by firms | 11% | – | 11% |
| No. of complaints | 175 | 245 | 18 |
| Unsatisfactory inspections | 55% | 55% | 65% |
| No. of firms struck off | 10 | 6 | 3 |

*Source: Professional bodies' audit regulatory reports*

One difficulty is assessing quality when many of the most important auditing issues *are based on* subjective judgment and rarely committed to paper. Ensuring *consistency of* standards across a large firm with many offices is equally troublesome. A possible solution may be *peer review* by partners in a comparably sized firm.

Another concern highlighted by *the reports is the highly* complex structure of regulation. The three chartered bodies have a *single joint* monitoring unit which inspects firms and then refers any problems to their three separate registration and disciplinary committees. The certifieds have their own monitoring unit, which also carries out supervision for *the authorised accountants.*

The existence of separate bodies is a legacy of fiercely *independent professions with* their own qualifications and practices. But it creates difficulties in ensuring that audit regulation is consistently applied.

The targets set by the two units are also different. The *certifieds have pledged to* inspect each audit firm or practitioner every five years. The chartereds have only made this commitment for the auditors of listed companies. Their current plans – ratified by the DTI – allow them to inspect just 150 of the remaining firms each year, which means that they will take 60 years to cover all practitioners.

There is a final, wider issue: whether the profession can police itself effectively. While many auditors have been criticised *in the three reports,* the number against whom action has been taken is smaller (see chart), and none of the disciplinary proceedings is open to public scrutiny.

All the bodies are caught between two roles which may be *incompatible* – as regulators upholding the public interest and as trade associations representing their members' interests. On one hand, they face rising regulatory costs – totalling more than £4m last year – which are passed on to *their members* in annual registration fees and compliance costs. On the other, any threat of withdrawing audit authorisation could jeopardise their members' livelihoods. Both may increasingly threaten to compromise their ability to act *independently.*

Add to that, growing public scepticism towards auditing in the light of recent corporate frauds and collapses, and the *demand for accountants to be* independently regulated so they can be seen to be independent may yet prove irresistible.



# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Railway privatisation in Britain and Germany similarly flawed

*From Dr Jörg Schimmelpfennig.*

*Sir, In his letter (January 29)* Mr Godward correctly points to the simplicity of the German rail privatisation proposal which, by reducing the uncertainty among both train makers and would-be private train operators, is less damaging *than the British one. Nonethe*less, both plans are basically flawed in the very same way. By requiring the rail-track authorities to earn a commercial return on their assets, or at least to break even, both higher fares and line closures will become unavoidable, in contrast to the assurances given by the transport secretary, Mr John MacGregor.

This not only puts the rail travelling public, already suffering from chronic under-investment in the rail system, at a further disadvantage. It *makes rail freight uncompeti*tive ("SNCF hints it may sue over UK rail plans" January 29) and results in an overall loss of benefit. This is because natural monopolies, as is well known from basic economic theory, have to be subsidised, *that is, sell their services* at below average costs, in order to allocate them with economic efficiency.

Of course, there are some gains to be expected from rail privatisation. As a number of both theoretical and empirical *studies show,* private enterprises are on average more cost-efficient than their public counterparts. The main reasons are that in the public sector there is more bureaucratic waste and managers lack incentives to employ cost-reducing measures. However, *it is far from clear whether the* benefits to be gained from increased cost efficiency can outweigh the loss of efficiency in allocating services. There is nothing wrong with running a railway along commercial lines once the overall goals have been *formulated.* But the goals themselves should not be allowed to be confused with those arising from commercial viability. As the Beeching experience from the 1960s has shown, the damage inflicted by a misguided railway policy might become irreparable.

Jörg Schimmelpfennig,
*Department of Economics,*
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*PO Box 4469,*
*D-4500 Osnabrück,*
*Germany*

## No place for Captain Bligh

*From Mr John van Maurik.*

*Sir, I was relieved, yet con*cerned to read Patricia Morrison's critique of the Channel 4 Cutting Edge programme on John Ridgeway ("Macho harassment, not management", January 27.

Relieved, because although it was compelling television I also found the Ridgeway techniques unacceptable and it was good to feel the wind of common sense blowing through her article.

Concerned, because as a management trainer and some*one who runs leadership and* team building courses, using both indoor and outdoor development, I am worried that the rest of us should be tarred with the "exercise in sadism" brush. Sensitively handled, outdoor training can be an important *aid to team* development and individuals' growth as leaders.

It makes sense, however, *that the exercises should be* mentally challenging rather than physically demanding and that the trainer should never deliberately mislead course members.

The good trainer should facilitate other peoples' learning. This means assisting their development, listening to them and encouraging discussion, rather than playing *the role of* Captain Bligh.

John van Maurik,
*director, leadership programmes,*
*Sundridge Park*
*Executive Development,*
*Plaistow Lane,*
*Bromley, Kent BR1 3TP*

## German screen-based trading not limited

*From Mr Ralph Ristau.*

Sir, I would like to set the record straight with regard to two claims that were made in your article, "Exchanges fight for the future across Europe", (January 15).

First, it was suggested that, "because of limitations of technology", DTB's screen-based system would not be able to *offer the same level of liquidity* as that available on Liffe. The fact is that no other exchange *has increased its turnover as* rapidly as DTB. As a fully computerised exchange from the start, DTB has doubled its trading volume every year since it was founded in January 1990. Within its first year *of* operation, DTB became the European market leader in options trading. In other words, DTB already has a very liquid market, and the level of liquidity is still rising.

Second, it is not true that "none of the world's largest futures contracts are screen-based". DTB's Bobl future is *one of the world's highest-vol*ume interest-rate futures in the medium-term range. It has *moved into the number one* position in Europe within one year.

Furthermore, the majority of the trading volume in cash instruments in Europe is screen-based or telephone-based.

So, regarding our positive experience with advanced screen trading technology at the DTB and Ibis (electronic trading facility for stocks and bonds) in Germany and the impressive *performance of* screen trading elsewhere in Europe it seems to be the right *time* to reconsider prejudices about it.

Ralph Ristau,
*manager,*
*DTB Options & Futures Department,*
*Sal Oppenheim jnr & Cie,*
*Bockenheimer Landstrasse 20,*
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## A more realistic view of attitudes among long-term unemployed

*From D J O'Driscoll.*

Sir, Mr Peter Ashby's letter ("Recruitment subsidies likely to have only a marginal impact", January 26) claims an insight into the minds of (long-term) unemployed people.

Being a long-term unemployed person myself (whose *one luxury is your newspaper),* and having done temporary work under the Community Project Scheme and some social research interviewing, which included long-term unemployed people, I feel that I can offer a rather different and, dare I say, more realistic, view of the attitudes of unemployed people.

First, it is hard to believe that *temporary work schemes* can offer any hope to unemployed people for the obvious *reason that the job* would offer no security and the participant would enter the scheme with *the knowledge* that they will be back at square one at the end of their contract. One can say that such a scheme could re-instil the discipline of work that is destroyed by unemployment, and can give something to the person to write in their CV. But if there are no jobs out there what is the point of raising people's hopes?

Mr Ashby voices the same old prejudice about the unemployed that the media and politicians have been peddling throughout the 1980s: we are a bunch of scroungers who should be forced to work for our pathetic "income from society". Well, no new ideas there. He then goes on to claim that this has some support among long-term unemployed people. Of course Mr Ashby and I may move in different social circles, but I think that the majority of long-term unemployed people would agree that what they need is work. And not for the notion of having pride in having a job, but simply to have a part-decent standard of living.

Perhaps Mr Ashby could take this into consideration when he next descends from his castle in the sky, and come up with some real recommendations for solving the plight of so many people.

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**FINANCIAL TIMES**
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Wednesday February 3 1993

# Parcelling up the post office

THE IDEA of privatising the UK Post Office seems to be taking on a dangerous life of its own. It began innocently enough, with the government's proposal last year to sell off the parcels division. Since this business operates in a highly competitive market without monopoly protection, that seemed sensible. The snag is that parcels lose money, as do the post offices themselves. The only profitable and attractive bit of the operation is the Royal Mail, which enjoys a monopoly on letters below a certain price. The notion has thus gradually taken hold of selling the whole enterprise in a lump, raising some £2bn in the process.

This risks repeating a classic error of the 1980s. The issue of monopoly power should be resolved before privatisation is begun, not tacked on as a afterthought. To privatise the Royal Mail as it stands and then send in a regulator is to beg a whole range of questions about its structure, powers and social obligations. Nor is there an urgent need for change; the Royal Mail provides a world-class service, broadly satisfies the public and is, by public sector standards, well managed.

One argument for privatisation has a certain force. The Royal Mail operates in a broader communications market, competing against telecoms, faxes and information technology generally. This is a highly capital-intensive, competitive world, in which the old-fashioned latter post risks becoming obsolete. If the Royal Mail cannot invest to compete, it will lose the volume which enables it to hold down its prices and thus enter a spiral of decline. And in the public sector it is not free to borrow, since that would count towards the government's budget deficit.

But in fact, the Post Office scarcely needs to borrow, since it generates vast sums of cash through its operations. The snag is that the money is confiscated by the Treasury: £750m in the past decade, with another £181m to come in the next fiscal year alone. If the government is being too greedy, perhaps the Post Office needs protection. If so, to install a regulator to mediate between it and the Treasury would be a more sensible first step than privatising it out of hand and sending a regulator in afterwards.

Similar logic applies in the case of the post office counters. These are highly sensitive politically, since half of them are loss-making and all of them perform a social function. But the losses are at least partly the result of arbitrary restriction by government. Legally, the post offices can only handle transactions for government departments and the formerly public utilities. They can do business for British Telecom or Thames Water, but not for Marks and Spencer or Barclays Bank. An economically important resource is thus denied the opportunity to run on commercial lines. Change might well occur most effectively under privatisation but should not be impossible without it.

This is not to deny the proposition that a commercial undertaking should justify its place within the public sector, rather than the other way round. The question is rather what role the Post Office should be expected to play as a private entity and how it could then be exposed to competition. Private sector monopolies are to be avoided.

# Britain cleans up

THE DISPUTE about the transfer of work from Hoover's vacuum cleaner plant in France to its plant in Scotland has been long on political rhetoric and short on facts. Contrary to political rhetoric in Brussels and Paris, the transfer has little to do with "social dumping" or Britain's opt-out from the Maastricht social chapter.

Social dumping is the theory that in barrier-free economic zones capital will flow to areas where labour is cheapest and least protected, triggering downward pressure on standards in other regions. There is no evidence for the second part of the theory and little for the first, regrettably for the low wage economies of southern Europe where investors have learned to balance cheap labour against low productivity.

By recruiting the EC's social dimension to the cause of economic nationalism French politicians also risk discrediting a feature of European integration that they have done so much to promote. A balance has to be struck. It is legitimate to enforce minimum standards of civilised behaviour on employers by banning child labour or insisting on basic safety standards. It is also essential to ensure state aid does not give companies an unfair advantage. But it is absurd to regard every aspect of competitive advantage across the EC as dumping.

The Hoover episode has struck an understandable anti-British nerve but the row says something about the increasing fragmentation of the EC as well as the state of French politics. It is easy to see why the "sweatshop" of Europe is in the dock following its social chapter opt-out and sterling's devaluation since September.

In reality, Hoover's restructuring decision was made in Scotland's favour because the company had spare capacity there and because, it says, non-wage labour costs are only about 10 per cent of wage costs in Scotland compared with 45 per cent in France. Despite the crowing of some British politicians neither the social chapter opt-out nor devaluation has much to do with that. The social chapter does not cover wage or non-wage labour costs and Hoover says it did not make a long-term investment decision based on a short-term devaluation.

The labour market culture of the Thatcher era may have enhanced the UK's attractiveness, but it has for decades claimed the largest share of external investment in the EC. Easier hire and fire can also work against British jobs when it is much cheaper to close plants in the UK than in Spain, France or Germany. By EC standards Britain is a low labour cost economy, partly because citizens pay for healthcare through general taxation. In those parts of industry where productivity is not correspondingly low the UK is an attractive investment site. British workers should thank Mr Delors for advertising that.

# Bankers' secrets

CUSTOMERS OF Britain's high street banks have the right to restrict how widely details of their accounts are circulated within their bank. Barclays Bank has devised a way around this for new customers by requiring those who buy products such as its credit cards to allow any of the bank's subsidiaries to use information about them on its database.

This tactic, and other efforts by banks to get customers to give permission for the use of financial data, is intended to help banks sell more financial products to their existing customers. Barclays has a strong motive to raise its income from products such as personal loans and credit cards because it may next month declare a pre-tax loss for last year.

The banks are thus trying to minimise the effect of a provision in their code of practice for personal customers which says that customers must give their consent for banks to publish details of their accounts to third parties – even when those third parties are subsidiaries of the bank. In effect, Barclays is forcing new customers to give such consent.

The office of the data protection registrar, who is responsible for ensuring that companies adhere to the Data Protection Act, is naturally concerned about this. It thinks that Barclays and other banks which might follow are evading their own code of practice. It also believes they may be breaching the act by not obtaining and handling data fairly.

British banks are currently facing a wave of criticism over everything from their small business lending policies to charges for overdrafts. In reply, they rightly point out that they are businesses not public utilities, and they must make a profit. This means raising charges, since much of their lending in the late 1980s turned out to be loss-making.

This argument does not apply to the methods being used to obtain permission from customers to use data. The banks only agreed their code of practice last March. But its provision on confidentiality would be weakened if all banks emulated Barclays. This is hardly the signal to send to those who call for statutory regulation.

The banks are themselves concerned about data security, and have started an industry-wide review after the shock of seeing details of Mr Norman Lamont's credit card bill in The Sun newspaper last December. Their worry is that employees may take information from their databases, and disclose it to outsiders.

The banks say they recognise the need to improve data security, but their customers' faith in these efforts is hardly enhanced by their response so far to the data protection office's anxieties. It is in the banks' own interest to ensure that the right of confidentiality afforded under the banking code of practice is honoured in the spirit and the letter.

## Daf is the biggest victim of the sharp contraction in the European truck industry, writes Kevin Done

# Driven to a grinding halt

The war of attrition in the European truck industry claimed its biggest casualty yesterday as Daf, the Anglo-Dutch commercial vehicle maker, was forced to file for protection against its creditors in the Netherlands.

The vice is tightening inexorably. The number of truck makers in Europe had already dropped from 25 in 1975 to 10 by the end of 1991, and the group is still shrinking.

Financially Daf has been the weakest of the leading European truck makers, but it has tried hard to compete in the industry's premier league. Its financial collapse will send shock-waves through a sector that is already being battered by deepening recession.

Daf is the biggest truck maker in the UK – since its takeover of Leyland vehicles in 1987 – and it is the UK truck market leader with a share of 25 per cent. It is number six among the big seven European truck makers with a share of close to 8 per cent of the west European truck market.

Its single biggest shareholder is still British Aerospace with a stake of 10.9 per cent resulting from BAe's takeover of Rover, formerly British Leyland, in 1988. The BAe holding has fallen sharply from an original 40 per cent, however, and BAe failed to subscribe to the last share issue in late 1991, further diluting its then stake of 16 per cent.

But as Daf's problems have mounted it has been the Dutch institutions that have increasingly answered the distress calls. More than 40 per cent of the equity is now in the hands of the biggest Dutch bank ABN/AMRO (8.2 per cent), VADO, the founding Van Doorne family (10.3 per cent), the Dutch insurance groups ING (10.6 per cent) and AEGON (6.4 per cent) and DSM, the former Dutch state-owned chemicals group (5.9 per cent).

How the administrators and receivers in the Netherlands and the UK will seek to pick up the pieces remains unclear. Daf insisted yesterday that its attempt to engineer a financial rescue had only foundered on the opposition of a minority of its banks, mainly in the UK, to its proposals for securing emergency short-term funding.

With Dutch financial institutions facing the biggest financial exposure, and the Dutch and Belgian governments having shown themselves willing earlier in the company's decline to support restructuring packages, the Dutch administrator might still be able to work out a new rescue.

For the moment, however, Daf has given up control of its own destiny. Having run up cumulative losses of about Fl 800m (£300m) in the past three years it was forced to file for protection from its creditors at the district court of s'Hertogenbosch.

Its operations were immediately plunged into uncertainty and upheaval. Employees turned up at the companies plants in the UK, the Netherlands and Belgium for work as usual, but within hours production was being affected.

As news of the financial collapse spread, some suppliers immediately began to stop deliveries of components. With just-in-time delivery of parts to plants spread from Leyland in Lancashire to Eindhoven in the Netherlands, the impact of such actions on the assembly process can be almost immediate.

"Where possible we are producing, but in some areas supplies of components have stopped. What happens tomorrow, I don't know," said one Daf executive in the UK.

As Daf's fortunes have waned, it has proved unable to find a rescuer within the industry, despite desperate overtures in recent months to Mercedes-Benz, the automotive subsidiary of Daimler-Benz of Germany and the world's biggest truck maker. It has also searched in vain in recent months for a Japanese partner.

The absence of a partner is not surprising. Daf's competitors have enough troubles of their own. Volvo, Renault and Iveco (the commercial vehicles subsidiary of Fiat) are all losing money on their truck and bus operations.

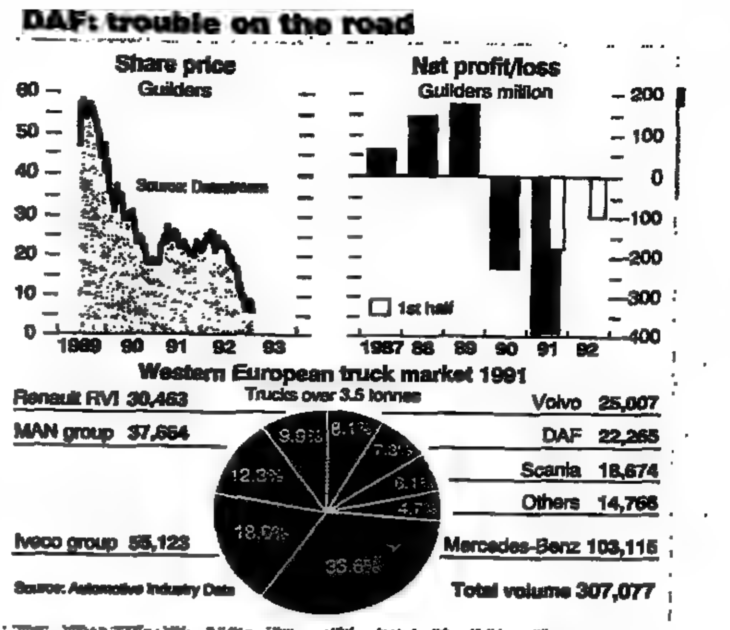
In the US the heavy truck industry has been deep in loss for five of the past 11 years. In Japan the truck market has been falling for more than two years. Nissan Diesel fell into loss in the six months to the end of September, while Hino, the leading Japanese heavy truck maker, suffered a 59 per cent fall in pre-tax profits in the same period.

The fortunes of the truck makers fluctuate widely as the industry suffers from exaggerated trading cycles. In west Europe the last year of strong growth was 1989, the year that Daf went public.

European truck sales have been falling for the past three years, and there is little prospect of relief during 1993 with demand forecast to fall particularly sharply in Germany and Italy.

Each lurch downwards in the trading cycle claims new victims, and Daf has long looked most exposed.

**DAF: trouble on the road**




Its financial demise has abruptly ended its brave dream of becoming one of the leading players in the European truck industry able to challenge the likes of Mercedes-Benz, Iveco, and the Franco-Swedish alliance of Renault and Volvo.

Its strategy for climbing into the top flight started with the takeover in 1987 of the then British Leyland truck and van operations. The move transformed it from being essentially a heavy truck and bus maker into a commercial vehicle producer with a full product range from vans to light, medium and heavy trucks and buses.

Buoyed by record sales and profits in 1989 it then tried to add to Leyland by taking over the Steyr truck business in Austria, and then Enasa, the Spanish state-owned truck maker of Pegaso vehicles. Each time it was thwarted by bigger rivals, first by MAN, the German truck maker, in the case of Steyr and then by Iveco at Enasa.

Even as these dreams of grandeur were fading, Daf began to be overtaken by the impact of the UK recession – one of the principal reasons for its downfall.

The UK became its biggest single market after the merger with Leyland and by 1991 the UK still accounted for 29.4 per cent of group sales. In 1991 it ousted Iveco from the leadership of the UK truck market and it consolidated its pole position last year.

But market leadership has been small consolation, when overall UK truck sales have fallen to their lowest level since the early 1950s. In the past three years, the number of trucks sold in the UK market has declined by more than 50 per cent, from 69,234 in 1989 to only 31,398 in 1992.

Daf has tried hard to reduce its dependence on the UK by expanding its dealer network and sales overseas – in particular in Germany and in France. But other markets have weakened too.

Excluding the German market, which was stimulated for two years by the impact of reunification, the impact of recession has been savage. According to Mr Peter Schmidt, an analyst at the UK-based Automotive Industry Data, the west European truck market (above 3.5 tonnes gross vehicle weight), excluding Germany, has plunged from 255,000 in 1989 to 160,000 in 1992, the lowest level for at least two decades. Including Germany truck sales in west Europe have fallen from 321,000 in 1989 to an estimated 281,000 last year.

Now the prop of Germany is also falling away. Mercedes-Benz, the industry leader, has been forced to cancel a big investment in a new truck plant in east Germany, and has disclosed that since July it has suffered a "dramatic" fall of 30-50 per cent in new commercial vehicle orders booked in Germany.

Daf has had its own particular problems, however. It has been badly exposed by having the breadth of product range of the biggest manufacturers without their production and sales volumes. As a result, it has been unable to achieve economies of scale.

But if Daf's problems have been exaggerated by its relatively small size, its rivals are unlikely to feel reassured. The problems of the European truck industry are likely to get worse before they get better. Some of Daf's larger competitors may also find themselves forced onto the hard shoulder before the end of the decade.

# The mother of all parliaments

## Andrew Adonis analyses proposals to reform the way laws are made in the UK

The best cure for admiring the House of Lords, said Walter Bagehot, is to go and look at it. If you have never looked, and harbour admiration for either Lords or Commons, save yourself a trip to Westminster and read the Hansard Society's report on the legislative process*.

The report, published yesterday, is a withering critique of the way law is made in Britain, produced by a commission of senior legislators, lawyers and lobbyists chaired by Lord Rippon, the former Tory cabinet minister. It is a tale of obfuscation, lack of consultation, grossly inefficient use of parliamentary time, yet inadequate scrutiny of either the principles or details of legislation.

As the case studies in the report testify, the heart of the problem is the government's largely unfettered control over the legislative process.

At one extreme, it cites the 1990 Dangerous Dogs Act. A panic measure, now widely regarded as unworkable, to ban pit bull terriers and Japanese tosas passed through all its stages in the Commons in a single sitting, less than a week after publication.

In contrast, the 1990 Broadcasting Bill, which reformed the regulatory regime for the independent broadcasting sector, was subject to lengthy consultation before reaching Parliament, and debated for 17 days once there. Yet so faulty was the bill as introduced, and so little had ministers done to take on board prior criticism, it practically had to be rewritten on the floor of both Houses. The government was obliged to table 800 amendments in the Lords alone, many of them at a few days' notice.

"Public anxiety about the current system is great and demand for change is strong," says the report. Its main recommendations for change fall into three categories: more intelligible drafting; more meaningful consultation; and more rigorous parliamentary scrutiny.

However desirable, major statutes will never make good bedtime reading. On the second theme, the commission wavers between wanting improved consultation, and proposing to take the framing of legislation out of the government's hands.

It would, for instance, "welcome more frequent appointment of independent inquiries, including royal commissions". But what is an "independent" inquiry? One staffed by "experts" (who are generally far from independent)? Or one including political opponents of the government, in which case its report – like that of so many royal commissions in the past – will inevitably be the lowest common denominator of its diverse composition? No royal commission in the early 1980s would have got the privatisation ball rolling; nor is one likely to reform the welfare state.

**MPs would, at least, have had to address the chronic practical difficulties thrown up by the poll tax**

It is in the third area, parliamentary scrutiny, that the commission makes particularly valuable recommendations. Two radical proposals are set out:

- Before being debated, controversial bills should be referred to select committees with the power to take evidence from academics, professional bodies and interest groups. Ministers and whips should not be members.
- Select committees should conduct inquiries into important bills before they are subject to line-by-line scrutiny by the Commons.

If implemented, these proposals would provide far greater opportunities for those affected by bills to make their voice heard, without compromising the government's necessary right of initiative. And by reducing the direct control of ministers over at least part of the parliamentary process, they would make it more difficult for ill-considered bills to reach the statute book.

Would the Hansard proposals have made any difference to the poll tax, perhaps the worst product of the legislative process this century? Possibly not, given the size of Lady Thatcher's majority in 1987, and her determination not to change a dot or comma. But under Hansard's plans, MPs would, at least, have had to address the chronic practical difficulties thrown up by the tax. They would also have come face to face with the near universal condemnation of it.

It will take a battle royal between the government and Parliament – that is, its own backbenchers and the opposition – to get the Hansard reforms through. But it has happened before. In 1979, immediately after the demise of a Labour government with no overall majority, MPs voted to set up the departmental select committees, which have proved influential of late. They should seize the chance offered by Mr Major's slender majority to establish select committees for legislation too.

* *Making the Law, Hansard Society, St Philips Building North, Sheffield Street, London WC2A 2EX. £16.*

# OBSERVER

## BAT takes another puff

■ It would be hard to describe Martin Broughton, the new chief executive of BAT Industries, Britain's fourth biggest company, as a breath of fresh air.

True, he is jolly young – 45 – and, like the bosses of most of his competitors, he is no longer a chain-smoker. But he is still at heart a tobacco man, having joined the British-American Tobacco Company over 20 years ago.

BAT's performance over the past decade has certainly improved. If it hadn't, it would almost certainly have been taken over by now. However, its preference for recruiting its head honcho from within underlines its conservatism.

Lou Gerstner, the 50-year-old boss of RJR Nabisco since 1989, is an ex-management consultant who made his name at American Express; Michael Miles, 53, head of Philip Morris, is a marketing man who joined PM after it took over his employer Kraft in 1989. Both these conglomerates have benefited from a breath of fresh air at the top. Perhaps BAT should try it some time?

## Firebrand

■ Tut, tut. Sir John Quinton, the recently departed boss of Barclays, can't have been serious when he hinted at a possible solution to Britain's property slump during his speech at the annual dinner of the Overseas Bankers Club.

Noting that the City had always bounced back from previous crises ranging from the Great Plague to the Great Fire, he mused whether a repeat of the latter calamity might not help reduce the City's vast store of unlet properties now disfiguring many bank loan portfolios.

## Foul

■ Japanese carmaker Mitsubishi seems to have scored an own goal by luring German soccer star Franz Beckenbauer away from Mercedes Benz to be its chief pr "personality" in Europe.

There were loud grumblings among Dutch fans attending this week's opening of Mitsubishi's glitzy new European headquarters in Amsterdam. As Mitsubishi is also making its European manufacturing debut through a joint venture with Nedcar, the Dutch government-backed carmaker, wouldn't it have been better to have given the job to the Netherlands' legendary Johan Cruyff, instead of hiring an expensive German transfer?

## Lateral thinking

■ Once upon a time, western governments used to lecture post-communist peers in eastern Europe on the need to adopt economic shock cures and open up their markets.

Now it seems the boot is on the other foot.

Take Karel Dyba, the Czech republic's economy minister, who offered Washington deadpan advice on balancing its budget provided the US would agree to open its cheese market. Or his boss, Prime Minister Vaclav Klaus who, when asked what should be done to open the EC market to Czech products, sighed: "We spent years studying western economic textbooks. Now it seems we have to sell free market ideas back to the western world."


'We should have formed an economic policy while we still had an economy'

Anatoly Sobchak, the mayor of St Petersburg, sounded even sniffier. He boasted that his city was about the only place in the former Soviet Union that was not crawling with Harvard-trained advisers – and that did not have a budget deficit.

President Leonid Kravchuk of Ukraine, meanwhile, has developed an intriguing line in sales patter. When asked what his country had to offer investors, he recited the usual laundry list of cheap labour and ample natural resources, then added cheerily: "We have the best missiles in the world..... they can be used for launching satellites."

## Hot stuff

■ There are some privileges in running a television channel. Alan Yentob, boss of BBC2, was one of the first night audience at Covent Garden last week which cheered to the echo of the first British professional production of Verdi's "lost" opera, Stiffelio.

Yentob was so enraptured by the performance of José Carreras in the title role that he is clearing his planned schedule this Saturday and transmitting nearly three hours of Stiffelio live instead. Wisely, Covent Garden Pioneer, the company set up last summer to video productions at the Opera House, and Yentob's hosts at the première, had been planning to film the opera this week, with a planned BBC transmission around Christmas time.

This unprecedented speed is wonderful pr for the Opera House which has been criticised in the past for elitism. Not many more than 10,000 people will see Carreras live in his five performances as Stiffelio; now millions can join in Covent Garden's hottest production for years.

## Error rate

■ The Treasury has been accused of a few errors of judgment in recent days. Yesterday brought another.

At 11.39am, the Treasury used its special page on the Stock Exchange's Topic Information service to issue the January official reserves figures. Because of a technical hitch, a sentence from a very old Treasury announcement accidentally crept onto the Topic screen – Minimum Lending Rate will be revised to 7 per cent tomorrow.

The announcement was spotted by the Extel news service, and displayed for 5 minutes before the Bank of England requested the Treasury to remove the offending page.

## Bedevilled

■ Did you hear about the chappie who fell behind with his payments to the exorcist?

He was re-possessed.

FINANCIAL TIMES
Wednesday February 3 1993



Multinationals complain to government over handling of $21m contract

# Fury at Mexico air traffic award

**By Damian Fraser in Mexico City and Stephen Fidler in London**

THREE multinationals have formally complained to the Mexican government about alleged irregularities in the award of a $21m contract for renewing Mexico's air traffic control system.

IBM, Westinghouse and Raytheon's Canadian subsidiary allege that an initial tender to replace the system was unjustifiably cancelled. They also claim they lost a second tender to a rival bid which had been reduced by an inexplicably large margin and did not comply with the tender requirements.

An agent acting for IBM also alleges that he was asked, apparently by unidentified Mexican officials, for a $1m bribe to secure the contract for the US computer company.

The air traffic control contract was awarded in December to the two European companies responsible for Mexico's current air traffic control system. Thomson of France will provide the new data processing system and Alenia of Italy the radars.

The complaints come at a sensitive time for Mexico as the North American Free Trade Agreement awaits ratification from the US Congress and the legislatures in Mexico and Canada. The agreement, which is expected to have an awkward passage in Washington, is meant to open up most procurement for the Mexican public sector to US and Canadian companies.

The complaints are being investigated by the office of Mexico's General Comptroller of the Federation, which monitors how Mexican government money is spent. They have been delivered by the US and Canadian embassies in Mexico and, according to those involved, are unusually fierce.

The comptroller's office declined to comment on the allegations until it had had time to review the documents relating to the two tenders.

The initial tender for the contract to replace the 14-year-old system was announced in August but cancelled abruptly on November 19. The reason given for the cancellation was that none of the seven bidding companies complied with the tender requirements.

This has infuriated the US and Canadian companies, which to be claim world leaders in the technology, and deny that they failed to comply in any material way with the almost 200 requirements.

The three companies have also drawn attention to a sharp drop – of between 47 and 60 per cent – between the first and the second tender in Thomson's bid for the data processing system.

Thomson's combined bid with Alenia was just $600,000 below the next-lowest bid of $21.7m by Raytheon. A Thomson spokesman declined all comment on the issue.

The IBM agent, Mr Kaveh Moussavi, said the first tender was cancelled 10 days after he refused to hand over money when asked for a bribe in a Mexico City hotel, but there is no independent corroboration of his statement.

Background, Page 8

Palestinians expelled by Israel enjoy a snowball fight in their Lebanon encampment. They rejected an offer for 100 of their number to return

# PLO rejects Rabin expulsions offer

Opposition party says government bowing to international pressure

**By Hugh Carnegy in Jerusalem**

MR Yitzhak Rabin, the Israeli prime minister, was attacked yesterday by the opposition Likud party for offering to take back 100 of the more than 400 Palestinians Israel expelled to Lebanon, while the deportees and the Palestine Liberation Organisation rejected the move.

Mr Rabin's Labour-led government had enjoyed broad support from the rightwing Likud for ordering the controversial expulsions in December after a series of killings of Israeli soldiers by Islamic fundamentalist militants. But this evaporated after Monday night's policy reversal.

Mr Yitzhak Shamir, the former prime minister, said the government's credibility had been undercut by its inability to withstand international pressure. Israel's position in Middle East peace negotiations had been weakened, he said. "It is an unnecessary blow to our prestige in the Arab world and the international arena."

Mr Binyamin Netanyahu, a leading candidate to succeed Mr Shamir as Likud leader next month, said: "I believe in retrospect it would have been better not to deport at all."

The 396 remaining deportees, most of them alleged members of the Hamas Islamic movement, voted unanimously in their snowbound Lebanese encampment to reject Mr Rabin's proposal, which included reducing the terms of exile of those not allowed to return immediately to no more than one year and the offer of food and medical supplies.

Likewise, the PLO said at its headquarters in Tunis that it would continue to press for sanctions against Israel to enforce UN resolution 799 calling for the immediate return home of all those expelled. "We will not allow them to shelve the problem. We will keep it at centre stage," said Mr Nabil Sha'ath, political adviser to Mr Yassir Arafat, PLO chairman.

Mr Rabin, however, dismissed the Palestinian rejection of his offer as "their problem". He would be happy for the deportees to stay put, saving him the humiliation of having to organise their return.

His chief aim in making the compromise was to cement relations with the Clinton administration in Washington. Government officials expressed satisfaction that Mr Warren Christopher, the secretary of state, quickly applauded the Israeli move. They were confident the US would keep any debate of sanctions out of the UN Security Council.

However, Palestinian leaders bitterly criticised the compromise as an Israeli-US deal which did not take Arab concerns fully into account.

Scramble to preserve US link, Page 4

## US economic recovery gathering speed

Continued from Page 1

and deliver a full budget on March 23.

Federal Reserve governors and regional presidents met yesterday to chart monetary strategy for 1993. The Fed has signalled it will co-operate with the administration by holding short-term interest rates at current levels for the foreseeable future.

The rise in the leading index was led by a surge in consumer confidence, a drop in weekly claims for unemployment insurance and an increase in corporate order books; only two of the 11 components of the index – real monetary growth and commodity prices – failed to contribute to the overall increase.

The December rise followed increases of 0.5 per cent in October and 0.7 per cent in November.

However, economists at Merrill Lynch, the Wall Street brokerage, warned that the leading index might decline in January, reflecting recent weaker figures for consumer confidence, unemployment claims and monetary growth.

The consensus view is that the economy is growing at an annual rate of about 3 per cent, somewhat lower than the 3.6 per cent annual growth rate in the second half of last year.

## EC warns of action over US trade threat

Continued from Page 1

of a move set in train by the Bush administration.

"This is not just some minor trade dispute," he added. "What we are talking about is absolutely the wrong signal for the world economy."

In Washington, however, President Bill Clinton, who has been forced to backtrack on a number of his election campaign pledges, appears intent on fulfilling promises to open foreign markets to US exports and enforce US trade laws.

Mr Kantor recently told the Senate finance committee: "The days when we could afford to subordinate our economic interests to foreign policy or defence concerns are long past."

Sir Leon Brittan, EC external economic relations commissioner, said he would be meeting Mr Kantor in Washington on February 11 "reassured and reinforced" by the uniform view of the EC.

"The only possible solution to such questions is a negotiated one, which is fair and balanced," Sir Leon said. The Community "will not allow itself to be bullied".

Ministers and senior officials said the EC would act multilaterally through the disputes procedures of the Gatt, as well as through bilateral negotiations with the US.

## Daf's collapse threatens jobs

Continued from Page 1

£25m each from NatWest and Lloyds, plus £10m from Barclays. Last week, the syndicate, including the UK banks, agreed to provide a short-term bridging loan to Daf of Fl 50m, so long as the Dutch and Flemish governments also contributed Fl 50m each.

The UK banks said they could not at that stage give a commitment to supporting Daf's medium-term rescue plan, until it had been scrutinised by a firm of outside reporting accountants.

The two governments felt enough scrutiny of the medium-term plan had already been carried out. Last month, Daf received reports on its viability by AD Little and Coopers & Lybrand Deloitte.

Two days ago the governments told the banks they were not prepared to wait for the result of another accountant's investigation. They wanted a firm commitment immediately to the bridging loan and the medium-term plan.

**World Weather**

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 15 | 59 |
| Algiers | S | 18 | 64 |
| Amsterdam | C | 3 | 37 |
| Athens | C | 6 | 43 |
| Bahrain | S | 22 | 72 |
| Bangkok | F | 30 | 86 |
| Barcelona | F | 12 | 54 |
| Beijing | S | 5 | 41 |
| Beirut | R | 6 | 43 |
| Belfast | C | 8 | 46 |
| Belgrade | S | -1 | 30 |
| Berlin | S | -2 | 28 |
| Biarritz | S | 15 | 59 |
| Bombay | S | 32 | 90 |
| Bordeaux | S | [illegible] | [illegible] |
| Boulogne | C | 5 | 41 |
| Brussels | C | 1 | 34 |
| Budapest | S | 1 | 34 |
| Buenos Aires | F | 29 | 84 |
| Cairo | F | 11 | 52 |
| Cape Town | F | 24 | 75 |
| Caracas | F | 26 | 79 |
| Casablanca † | S | 16 | 61 |
| Chicago † | S | -7 | 19 |
| Cologne | S | 3 | 37 |
| Copenhagen | C | 0 | 32 |
| Corfu | S | 11 | 52 |
| Dallas † | S | 6 | 43 |
| Dublin | S | 11 | 52 |
| Dubrovnik | | – | – |
| Edinburgh | C | 8 | 46 |
| Faro | S | 16 | 61 |
| Florence | S | 15 | 59 |
| Frankfurt | C | -2 | 28 |
| Geneva | C | 2 | 36 |
| Gibraltar | F | 16 | 61 |
| Glasgow | F | 8 | 46 |
| Helsinki | S | 4 | 39 |
| Hong Kong | S | 17 | 63 |
| Innsbruck | S | 4 | 39 |
| Inverness | S | 7 | 45 |
| Islamabad | C | 19 | 66 |
| Istanbul | F | 4 | 39 |
| Jakarta | R | 29 | 84 |
| Johannesburg | F | 24 | 75 |
| Lisbon | S | 18 | 65 |
| London | S | 9 | 48 |
| Los Angeles † | S | 10 | 50 |
| Luxembourg | Fg | -2 | 28 |
| Madeira | C | 17 | 63 |
| Madrid | F | 2 | 36 |
| Majorca | F | 14 | 57 |
| Malaga | C | 15 | 59 |
| Malta | S | 14 | 57 |
| Manila | C | 31 | 88 |
| Melbourne | S | 32 | 90 |
| Mexico City | C | 22 | 71 |
| Miami † | S | 15 | 59 |
| Milan | S | 7 | 45 |
| Montreal † | F | [illegible] | 7 |
| Moscow | C | 2 | 36 |
| Munich | S | 0 | 32 |
| Nairobi | | – | – |
| Naples | S | 12 | 54 |
| Nassau | C | 24 | 75 |
| New Delhi | S | 20 | 68 |
| New York † | F | 1 | 34 |
| Nice | S | [illegible] | [illegible] |
| Nicosia | F | 8 | 46 |
| Oporto | S | 15 | 59 |
| Oslo | S | 2 | 36 |
| Paris | C | 1 | 34 |
| Prague | S | -6 | 21 |
| Reykjavik | Sn | -1 | 30 |
| Rhodes | S | 8 | 46 |
| Rio de Janeiro | F | 40 | 104 |
| Rome | F | 11 | 52 |
| Salzburg | F | -3 | 27 |
| S'Francisco † | S | [illegible] | 40 |
| Seoul | S | 5 | 41 |
| Singapore | F | 29 | 84 |
| Stockholm | S | 2 | 36 |
| Strasbourg | C | 1 | 34 |
| Sydney | S | 31 | 88 |
| Taipei | F | 18 | 64 |
| Tangier | | – | – |
| Tel Aviv | R | 7 | 45 |
| Tenerife | F | 19 | 66 |
| Tokyo | S | 7 | 45 |
| Toronto † | S | -17 | 1 |
| Tunis | F | 15 | 59 |
| Valencia | S | 12 | 54 |
| Venice | S | 11 | 52 |
| Vienna | S | -2 | 28 |
| Warsaw | C | -3 | 27 |
| Washington † | S | -9 | 16 |
| Zurich | F | 0 | 32 |

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

# Daf breaks down

**FT-SE Index: 2834.4 (-17.2)**

Doubtless the Dutch government and the Flemish regional authorities are hopping mad at the British banks which have effectively pulled the plug on Daf. Smaller lenders have an irritating habit of getting in the way of rescue proposals that appear socially and politically sensible, but then those without an axe to grind can see the financial traps more easily. The Dutch banks are so deeply involved they would prefer not to leave room for second thoughts about the medium term rescue plan. On any objective measure, Daf's position was precarious enough to warrant doubts.

An operating loss last year of Fl 200m with provisions for restructuring on top would have cut deeply into capital and reserves which stood at Fl 810m at the end of 1991. Lenders clearly faced a transformation of debt into equity. The activities of the group's financing subsidiary made it all the more legitimate to worry that the same might have happened to any new loans extended. Daf Finance was responsible for a large part of the Fl 3.5bn of short term debt on the group's last balance sheet. But the quality of its loan book must have deteriorated with the recession in the UK and the downturn in continental Europe. That problem only made rescuing the industrial activities more difficult.

Nor was Daf a natural survivor in the commercial vehicle market. It is too small and too dependent on the UK. The logical answer might have been an alliance, but a partner's first job would have been to pay to take out capacity. The rest of the European industry must be sighing with relief now that this cost looks like falling squarely on the shoulders of Daf's own lenders and shareholders.

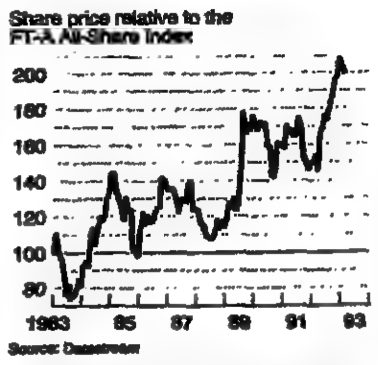
## Convertible bonds

Three convertible bond issues in four months hardly constitute a flood, but after a couple of barren years, City advisers might be forgiven for licking their lips. Yesterdays £91m issue is cheap funding for Northern Foods. A straight bond issue would cost the company more in interest payments, yet on even modest assumptions of dividend growth, equity investors would do better buying the shares.

The success of the issue – the 3 per cent fall in the share price yesterday is par for the course – underlines that the market is willing to pay a premium for a secure yield. The dwindling return from cash has squeezed

**BAT**

Share price relative to the FT-A All-Share Index



Source: Datastream

investors looking for income. Recession has made high yield in equities synonymous with corporate distress. Income fund managers could hardly justify holding Northern Foods' shares on a yield less than the market average. The convertible offers a way in.

But convertibles are condemned to a limited role in corporate fund-raising. To protect pre-emption rights, UK institutions effectively limit convertible issues to 5 per cent of share capital. Northern Foods has refinanced a handy slice of bank debt – and strengthened its hand in negotiations over the rest. Plenty of companies want to reduce short term debt, but, if big money is needed, it will still have to come from rights issues.

## UK food sector

With the PSBR pressing down on him, Mr Norman Lamont may eventually have no choice but to raise some extra cash. Tax hawks suggest extending VAT to books, newspapers and domestic fuel, but the really big target would be food. The Treasury estimates it could garner a further £7bn by making full-rate VAT applicable to food. Taxing bread and butter would certainly provoke a furious public reaction. It would also raise questions about food industry earnings. The worrying memory is of April 1991, when a large chunk of the 2½ percentage point increase in VAT came out of the margins of retailers and their suppliers. Recessionary conditions prevented the increase from being passed on to consumers.

In the case of food, the direct consequences might not be as bad as at first imagined. Many discretionary items, such as soft drinks and snacks, already attract VAT. Higher taxes would not depress consumption of essential foods, though there might be trading down to cheaper items. Prized brands would become less valuable for a while. With food more expensive consumers might spend less on other items, like restaurant meals, with a knock-on effect in other sectors.

Large food retailers might suffer the least damage because of the power they wield over their suppliers, but margins should recover quickly. Food has declined as a proportion of disposable income over many years. The additional burden of VAT, were it introduced, would only represent a blip in this long-run trend.

## BAT Industries

Like some diva forever postponing the final curtain call, Sir Patrick Sheehy appears reluctant to leave the stage at BAT. Although the company has split the two top jobs for the first time in 90 years, Sir Patrick is to remain in the chair. The figure who has dominated BAT for the past decade will soldier on for up to three more years. By then he will be 65. BAT's normal retirement age is 60.

It is easy to imagine how Sir Patrick's continuing presence might make life tricky for the new chief executive, Mr Martin Broughton. However BAT's shareholders are unlikely to feel too aggrieved if the share price continues its recent strong run. For the moment at least, Mr Broughton will doubtless stress the theme of continuity. BAT's tobacco business has found new customers in the developing world while the financial services arm appears to have endured the worst. The stiffer long-term challenge will be to address BAT's structural ACT problem. That may require a significant strategic move in the UK and a new song from Mr Broughton.

## Rank Organisation

If the new accounting standards were already in force the Rank Organisation would have reported net earnings for last year of 6.8p instead of 37.8p. If respectable companies face such earnings volatility, it will be easy to overlook real transgressions in the transition. Rank has been refreshingly candid, but it has also used the opportunity to take a discreet £57m provision for diminution of assets which would not otherwise have shown up in the profit and loss account.

FINANCIAL TIMES
# COMPANIES & MARKETS
Wednesday February 3 1993





## INSIDE

### BBL French unit incurs FFr540m loss

Banque Bruxelles Lambert, one of Belgium's biggest banks, revealed that its French subsidiary lost FFr540m ($100.7m) in 1992. BBL said the loss was principally related to provisions against French property loans. The French banking sector is under pressure because of the economic slowdown and squeeze on French property market. Page 18

### Construction provisions warning

The scale of provisions among UK construction companies could seriously undermine efforts to raise capital to finance a recovery, say brokers. Britain's 10 biggest construction companies are expected to announce provisions of between £650m ($980m) and £700m when they publish results later this year. Page 23

### Matra-Hachette makes FFr350m

Matra-Hachette, the new French media-to-missiles group, reported that its divisions made a profit "in the region of" FFr350m ($63.3m) in 1992. Mr Jean-Luc Lagardère, flamboyant president and controlling shareholder, forecast a rosy future for last December's merger, which linked the Matra defence and transport business with Hachette publishing. Page 20

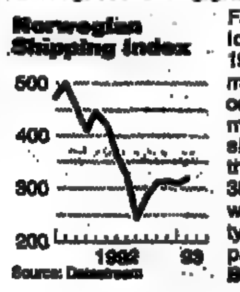
### Fishing industry caught out

Pink spiny lobsters, octopus, squid and tuna feed in the plankton-rich ocean off Mauritania. But under-investment in vessels and insufficient data about fish stocks remaining threaten to undermine the Mauritanian fishing industry. Page 24

### Tenneco returns to black

Tenneco, the US conglomerate in the throes of restructuring, reported fourth-quarter income of $35m, against a net loss of $26m last time. Operating performance was better at all six divisions, although the J. I. Case farm and construction equipment business remained in the red. Page 20

### European shipping fortunes sink




Falling freight rates and lower ship values made 1992 a grim year for most European shipping companies. Nearly all major bulk and liner shipping groups saw their shares fall, while a 35 per cent drop in Norway's shipping index typified shipping company fortunes in 1992. Back Page

### Market Statistics



### Companies in this issue



### Chief price changes yesterday

| FRANKFURT (DM) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Rises | | | | Rises | | | |
| Heidelb Zem | 924 | + | 10 | Eurogroup | 690 | + | 14 |
| Hochtief | 978 | + | 16 | Fin Paribas | 460.1 | + | 12.6 |
| Leifheit | 410 | + | 9 | Promodes | 625 | + | 21 |
| Falls | | | | Selimeg | 441 | + | 13 |
| [illegible] | 582 | − | 8 | Falls | | | |
| Goldschmidt | 720 | − | 20 | Bongrain | 2601 | − | 24 |
| Porsche | 465 | − | 15 | Cred Lyon | 524 | − | 13 |
| NEW YORK ($) | | | | TOKYO (Yen) | | | |
| Rises | | | | Rises | | | |
| Lone Star Steak | 41¾ | + | 3¼ | Kasuga Elec | 304 | + | 44 |
| Falls | | | | Nakamichi | 417 | + | 44 |
| Bristol-Myers | 58 | − | 1⅞ | Nippon Crucible | 328 | + | 45 |
| Gateway Fin | 5½ | − | ½ | Sankyo Seiki | 679 | + | 64 |
| Merck | 37½ | − | 1⅜ | TDF | 360 | + | 57 |
| Pepsico | 42 | − | ¼ | Falls | | | |
| Pfizer | 63⅞ | − | 2⅛ | Mazaya | 595 | − | 49 |
| PARIS (FFr) | | | | | | | |

New York prices at 12.30.

| LONDON (Pence) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Rises | | | | Moulton (J) | 77 | + | 5 |
| Acorn Computer | 68 | + | 8 | Tipbook | 367 | + | 13 |
| [illegible] | 86 | + | 14 | Tullow Oil | 10½ | + | 1½ |
| Allen | 95 | + | 5 | Falls | | | |
| Asda Prt | 49 | + | 2½ | Cupid | 36 | − | 6 |
| Bellwinch | 115 | + | 5 | Gabicci | 22 | − | 7 |
| Cook (Wm) | 162 | + | 9 | Glaxo | 655 | − | 23 |
| Countryside Pr | 116 | + | 6 | Invergordon | 252 | − | 12 |
| ERF | 265 | + | 10 | Kewill Systems | 73 | − | 10 |
| Frogmore Est | 331 | + | 15 | Lloyds Abbey | 445 | − | 16 |
| Granada | 359 | + | 11 | London Intl | 236 | − | 11 |
| Grasby | 170 | + | 10 | Wellcome | 653 | − | 23 |
| HTV | 26 | + | 3 | | | | |
| Lloyds Chem | 295 | + | 11 | | | | |

# Lower financing lifts Nabisco net income to $776m

By Nikki Tait in New York

RJR NABISCO, the tobacco and food conglomerate which was the target of a $25bn leveraged buy-out in 1989, yesterday reported a small decline in operating profits during 1992. However, the after-tax figure, ahead of extraordinary items, increased sharply, thanks to lower financing charges.

The refinancing of RJR's debt burden – encompassing more than $3bn of borrowings in 1992 – helped reduce cash interest expense to $995m from $1.326bn and non-cash interest expense to $434m from $787m. This left net income before extraordinary items at $776m compared with $368m.

After a $477m charge related to the repurchase and retirement of higher-cost debt instruments, the group's net profits for the year fell to $299m from $368m.

At the operating level, the group made a profit of $2.9bn, compared with $2.93bn in 1991. The fourth-quarter figure was $703m, against $752m in the same period of the previous year. Total sales for the year were $15.7bn, up from $14.9bn.

RJR added that domestic tobacco volume rose 3 per cent during the year, increasing market share, although there was a 2 per cent fall in the final quarter.

However, the benefits of price increases and volume improvements were more than offset by higher marketing expenditures and the increased percentage of sales coming from lower-margin discount brands. The tobacco division made slightly lower profits, of $2.69bn for the year against $2.73bn last time, while the food division's contribution increased to $947m from $920m.

Tobacco sales were $6.16bn, up from $5.86bn on the domestic side, and $2.86bn compared with $2.68bn on the international front. Food sales rose to $6.71bn from $6.45bn.

Within the food division, the international operations fared well, but restrained consumer spending in the domestic market led to only slow growth in sales and profits.

# Bronfman shares hit by fears of restructuring

By Bernard Simon in Toronto

STRAINS IN the property and financial-service arms of the business empire controlled by Toronto's Bronfman family have heightened fears of a wider restructuring of the vast Canadian industrial and financial group.

Shares of several Bronfman-controlled companies continued to slide yesterday amid concern that the group will either be forced to sell assets or raise funds from other sources to support the haemorrhaging property and financial-service businesses.

Brascan, one of the group's main holding companies, slipped 62 cents in early trading to C$8.75. Hees International, the merchant banking arm, lost 62 cents to C$5.13. Brascan and Hees shares stood at C$13.75 and C$8 respectively at the beginning of the year. Share prices of almost all companies in the Bronfman orbit are at their lowest point in recent years.

The Bronfman group makes up about 6 per cent of the total market value of the Toronto stock exchange. Companies controlled by the family and their senior managers include Noranda, the diversified resources producer; John Labatt, the brewing group; and Trizec, North America's biggest publicly-traded property developer.

The Toronto Bronfmans are cousins of the family which controls Seagram, the drinks company, but the business interests are unrelated.

The most immediate problems are at Royal Trust, Canada's second-biggest trust and loan company, and at Bramalea, a debt-laden property developer. RT is seeking an equity injection from an outside financial institution. Bramalea filed for court protection from its creditors last year.

One Toronto securities analyst said yesterday that the Bronfmans and their managers "have a choice: they either let the real estate side go, or they fund it".

Some analysts however, consider the recent sell-off has been overdone. Mr Terry Fisher, analyst at Midland Walwyn in Toronto, noted that of all the Bronfmans' publicly-listed companies, only Bramalea is known to have missed a preferred share dividend, or skipped an interest or loan principal payment.

Mr Fisher said the group could withstand even the demise of Royal Trust. "The biggest problem the group has is that it's so complex people don't understand it," he said.

# IBM aims to lead $9bn workstation market this year

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines has set its sights on becoming the world leader in the $9bn computer workstation market by 1994, executives of the troubled US computer company said yesterday.

They were introducing aggressively priced new workstation models, among which was a $4,000 desktop workstation priced to undercut competing colour graphics workstations from Sun Microsystems and Hewlett-Packard.

IBM also unveiled powerful parallel-processing systems that achieve supercomputer-level performance using up to 64 of the microprocessor chips used in IBM's workstations.

The new products signal an effort by IBM to capitalise on reduced instruction set computing (Risc) technology, which was invented in its research laboratories but which competitors, such as Sun and Hewlett-Packard, have been quicker to exploit.

"There should be no doubt that we intend to be very competitive and very aggressive in this market," said Mr Bill Filip, IBM vice-president and president of its Advanced Workstations and Systems business.

"By providing everything from low-cost desktops, to high-performance supercomputers, to specialised products for both technical and commercial applications, we are expanding our leadership role in the open systems arena." However, IBM, which first entered the market for Risc workstations that run popular UNIX software three years ago, is trailing Sun, which holds an estimated 32 per cent of the world market, and Hewlett-Packard with 20 per cent.

According to Dataquest, the US market research group, IBM was third in the workstation market with an 18 per cent share in 1992. Mr Filip said IBM workstation revenues rose between 30 and 35 per cent last year and that sales growth in the first quarter was outpacing last year's.

IBM's workstation business "was clearly profitable in the fourth quarter of 1992", he said. "We expect this to be a profitable growth business in 1993."

With the launch of a parallel processing supercomputer, IBM has entered a crowded field of companies using dozens, and sometimes hundreds, of standard microprocessors to achieve performances equivalent to those of mainframe and supercomputers.

The new Scalabel Powerparallel system is aimed initially at technical and scientific customers for applications such as seismic exploration, fluid dynamics and computational chemistry. It combines the power of eight to 64 RISC microprocessors to achieve supercomputer power at a fraction of the cost of conventional supercomputers. Prices start at $300,000 for an eight processor version.

**William Dawkins** meets the chairman of French electronics group

# Make-or-break mission for TCE

Mr Alain Prestat, the young French civil service supremo who was launched into the top job at Europe's second-largest consumer electronics company almost exactly a year ago is on a make-or-break mission.

As chairman of Thomson Consumer Electronics (TCE), the 41-year-old Mr Prestat faces odds that would frighten many. A year ago, the group was losing so much money, market share and morale that its immediate owner, Thomson, the state-owned flagship of the French electronics industry, wanted to relinquish TCE. Today, TCE has been given a new chance and Mr Prestat believes the group is in the early stages of a turnround.

"Our situation is a bit like that of Renault in the mid 1980s. Some people thought Renault was in a hopeless situation then – and their problems at the time are of the same order as ours are today. They managed a turnround and we can too. We have already hit bottom and now we must rebound," said Mr Prestat.

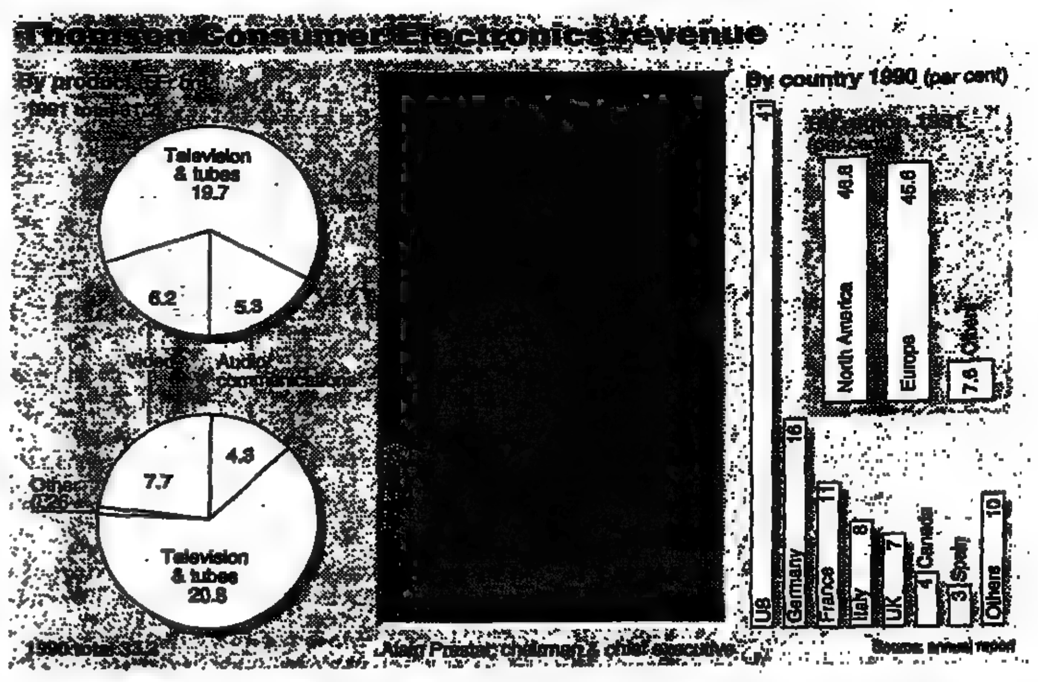
Operating losses are set to rise from FFr228m ($43m) in 1991 to an estimated FFr300m last year, but Mr Prestat predicts that TCE will make an operating profit in 1993. Net losses are set to fall from FFr2.47bn to FFr1.7bn in 1992, on turnover stable at around FFr31bn last year, having declined to this level steadily from FFr32bn in 1989.

"In relative terms, that is not nearly as bad as the rest of the electronics industry. I see it as regaining stability," he argues. As a symbol of its new ambitions, TCE last week hired the designer Mr Philippe Starck in the latest streamlining of the group's design management.

Mr Prestat, who has spent his life moving between the higher echelons of state industrial policymaking and the electronics industry, was dispatched from the prime minister's private office into the hot seat at TCE during its worst crisis in recent memory.

Only three weeks earlier, many senior executives were horrified to hear that the then prime minister, Mrs Edith Cresson, was planning to place TCE under the control of CEA-Industrie, the industrial arm of the atomic energy authority. Others thought, in the end wrongly, that the state had decided to bail out the heavily indebted group.

The government presented the plan, since reduced and reshaped nearly beyond recognition, as a bid to create a world-beating energy-to-electronics conglomerate on the lines of Siemens, the German conglomerate. Privately, executives knew the government also had a hidden reason.




Mr Alain Gomez, who as chairman of the Thomson group is Mr Prestat's boss, was said to want to hand TCE to another part of the state sector so he could focus better on the group's profitable defence electronics arm, Thomson-CSF.

With net losses of FFr5.5bn over the four years to the end of 1991 and debts of FFr10bn at the end of 1991 – now FFr14bn – TCE looked like a dangerous liability in Mr Gomez's strategy of trying to turn Thomson-CSF into a leading-edge defence electronics supplier.

To his credit, Mr Gomez immediately executed a U-turn when it became clear that Mrs Cresson's blueprint was politically unfeasible, and returned to his old support for TCE. Mr Prestat was instructed to beat out a recovery strategy on the assumption that TCE had a long-term future in Thomson, but that a bail-out was not, as it had been in the past, guaranteed.

Initially, he was greeted with suspicion by TCE executives who saw him as a mere political appointee, to impose the erratic government industrial policy of the time. They were wrong. "Now they realise I am serious and that I am here to do nothing but run the business for the medium to long term," he says.

His first action, less than two months after arriving, was to change the heads of the US and European marketing divisions and the head of the European television section. "They were run like baronies, or civil service departments, not like real sales teams," says Mr Prestat. On both sides of the Atlantic, TCE had been losing market share in televisions, which accounts for 54 per cent of it sales.

> **'I am not going to my shareholders with a begging bowl. I expect them to put in more money only if operating profits show the right trend'**
> *Alain Prestat, chairman of Thomson Consumer Electronics*

The 20 per cent US television market share it seized by buying RCA in 1987 had fallen several points and the penetration achieved by TCE's clutch of fine European brands was acceptably low. Now TCE's US market share has climbed back to the old level and it has added a percentage point to its European penetration by keeping volumes stable in a falling market.

Mr Prestat, is however, disappointed with sales of TCE's new enhanced definition television set, intended as its foothold in the future market for full high definition television (HDTV) and TCE's main hope for thwarting Japanese competition in Europe. The risks of the HDTV market were highlighted over the weekend when Philips, the Dutch electronics group, suspended plans to make HDTV sets because there were no European programmes for them.

TCE is undismayed by this because it does not affect demand for its existing enhanced television sets based on D2-Mac, a half-way standard between normal television and full HDTV. TCE is continuing its HDTV development in collaboration with Philips. It dismisses its partner's move as a production decision. The French group says it still has full faith in HD-Mac, Europe's HDTV standard.

The other part of his strategy has been to work on TCE's fragile financial health, cutting stock levels by half to FFr1.3bn over the past year and trimming FFr3bn from annual running costs. He can do little more, however, than chip away at the group's huge debts and admits that the prospects of making a net profit depend on whether the Thomson group decides to pump more equity into TCE.

"I am not going to my shareholders with a begging bowl. I expect them to put in more money only if operating profits show the right trend," he says.

He is similarly non-committal on whether TCE should seek to strengthen itself through a foreign alliance, as did Renault with Volvo. "That is not on my agenda at the moment. I never negotiate in a difficult situation, so it all depends on how we perform."

# Heron cuts fees to restructuring advisers

By Maggie Urry in London

HERON, the property and trading company negotiating a £1.4bn ($2.1bn) debt restructuring deal with its banks and bond holders, has acted to limit the "cost spiral" involved.

Heron's decision has implications for other companies in similar talks also facing huge fees for professional advice.

Since talks started in March last year fees have totalled £40m. Heron, Mr Gerald Ronson's private company, said it would no longer pay fees not essential to the refinancing.

Heron also said it planned to present final proposals to creditors by the end of this month. The group said it could not comment on rumours that a revaluation of its properties, being prepared as part of the documentation for the deal, showed a further fall of £100m since March last year. But its first public mention of an end-February deadline appeared designed to quash speculation that the talks were being held up by creditors' concern about property values.

In order to preserve cash resources, Heron said, it would "no longer be responsible for fees of advisers other than those which in [Heron's] view are essential to the restructuring process". It had had to devote "disproportionate resources" to verifying data already prepared under due diligence procedures.

Heron stressed that its Heron Corporation subsidiary in the UK, which includes the housebuilding and automotive divisions as well as property companies in the UK, France and Switzerland, had large cash resources and positive net assets.

# BBL French unit hit by property loan provisions

By Andrew Hill in Brussels and Alice Rawsthorn in Paris

BANQUE Bruxelles Lambert, one of Belgium's biggest banks, revealed yesterday that its French subsidiary lost FFr540m ($100.74m) in 1992.

BBL said the loss was principally related to provisions made against French property loans. The French banking sector is under pressure because of the combined effects of the economic slowdown and the squeeze on the French property market.

As part of a restructuring, the Belgian group is planning to cut 139 jobs out of 462 at BBL France, and relocate to rented premises in the Défense commercial area of Paris.

BBL has ploughed some FFr700m into its French subsidiary over the last year to help meet solvency ratios through a capital increase in April.

The Belgian bank said it had anticipated the losses at its French subsidiary. In November, BBL announced non-consolidated group profits for the 12 months to end-September of BFr2.8bn ($84m), sharply lower than the equivalent period. Consolidated figures for the 15 months to the end of 1992 will be announced early next month.

French property prices have been falling for the past three years. Average rentals in Paris, the worst affected area, have declined by 20 per cent over that period.

The problems are most acute in the commercial sector. There is now estimated to be two years of commercial property stock on the Paris market.

BBL France, like a number of other French banks with substantial property interests including Banque Indosuez, the investment bank belonging to the Suez industrial group, and Crédit Lyonnais, the state-owned banking group, have been forced to make steep provisions.

# New rules depress Rank figures

By Michael Skapinker and Andrew Jack in London

THE RANK Organisation, the diversified UK leisure group, said yesterday that under new accounting standards which take effect in June, its 1992 earnings per share would have been 6.8p rather than the 37.8p it reported.

The disparity results from the new standard's different treatment of extraordinary items, profits and losses on disposals of businesses, and property revaluations.

Rank's announcement was shrugged off in London. Financial institutions said the reduced earnings per share figure demonstrated the difficulties the new accounting standard would cause rather than a reflection of the leisure group's performance. Earnings per share figures are likely to fluctuate more widely under the new system than under the old.

An analyst said: "The important questions remain: what are the core earnings of the company; what is its debt position; what is its cash-flow?"

Rank said that although the new accounting standard, FRS 3, only applied to companies with financial years ending after June 22, it had decided to publish an additional group profit and loss account in its annual report, presented as if the new rules had already taken effect. The Accounting Standards Board has encouraged companies to adopt the new standard early.

Under the new rules, Rank's after-tax profits would have been £44.3m, rather than the £140.1m it reported. The new system provides that extraordinary items previously taken below the line now have to be included in profits. This had little effect as Rank had only £100,000 in extraordinary items.

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# Suppliers keep calm over Daf's demise

**Andrew Baxter** on the belief that the truck manufacturer might survive the grave

THE decision by Daf, the Anglo-Dutch truck and van manufacturer, to seek protection from its creditors caused some confusion and mixed reactions among European suppliers of a wide variety of components.

As union officials in the UK warned that jobs in the component supply industry could be at risk, some suppliers immediately halted deliveries to Leyland Daf in the UK, bringing production at its factories in Preston and Birmingham almost to a halt.

But companies generally reacted calmly over the long-term implications of the decision – even if they did halt supplies yesterday. While big automotive customers worldwide have been reducing the number of suppliers with which they deal, the suppliers have also been careful, where possible, to avoid being too dependent on any one client.

Ultimately, the importance of Daf and its market position – it is truck market leader in the UK with a 25 per cent share – has convinced some suppliers that the company and its truck manufacturing will not disappear. "I can't believe a package won't be put together to retain the most successful parts of the business," said one big international supplier.

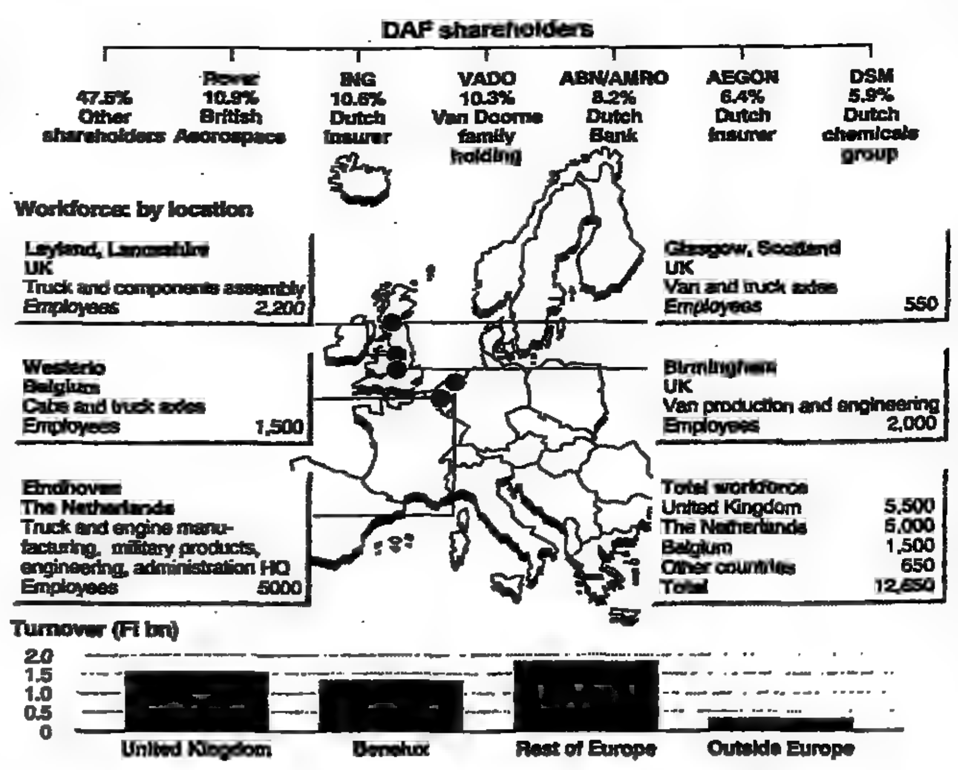
Companies which continued deliveries to Daf explained their action by saying either that the immediate future of manufacturing at the truck maker was unclear or that they were not in a position to halt supplies because of their own problems in the recession.

One of Daf's most important suppliers, Thyssen Stahl, said it was continuing to make deliveries to Daf in the Netherlands. "We have no plan to stop being a supplier," said a spokesman for Germany's biggest steel producer. "I can't imagine that any steel company could do that at the moment."

Daf, in comparison with other truckmakers, is a relatively integrated producer, with a big share of components made in-house. "Its policy tends to be 'make' rather than 'buy'," said Mr Edward Hadas of Morgan Stanley.

Daf makes most of its engines itself, although engines for its 45 Series of small trucks are supplied by US-owned Cummins Engine, and Peugeot-Talbot make diesel engines for Daf vans. Peterborough-based Perkins also makes engines for the 200 Series van, and Eagle engines for the Daf "Drops" military vehicle.

Transmissions come largely from ZF, the big German producer, while axles are mainly made in-house at Glasgow – although some are made by Rockwell, the US-owned industrial group.




Cabs are supplied by Motor Panels, a long-established UK supplier of automotive bodies, which is part of the Mayflower Corporation, a UK holding company. Other big name suppliers to Leyland Daf include GKN, the big UK vehicle parts group, which supplies drivelines for trucks and some axles.

There are also smaller component suppliers serving Daf's manufacturing plants, such as Washwood Heath in east Birmingham.

Suppliers were yesterday deciding on the best immediate steps to take. At Motor Panels, deliveries have been suspended until the situation is clarified, said Mr Merrick Taylor, chairman of Mayflower's Automotive Products Group.

He could not envisage a situation where Daf would just disappear. "People will be keen to pick up parts of the business. To have such a large share in a very important market is very attractive."

Cummins, which makes Daf-badged engines for the 45 Series at Darlington, said Leyland Daf was a "fairly major" customer in the automotive area. But Cummins pointed out that the impact of Daf's decision was not quite the same for a broadly-based supplier, such as Cummins, as for companies that served only the automotive industry.

# Reed to sell 3.66% BSkyB stake

By Raymond Snoddy in London

REED International is in negotiations to sell its stake in British Sky Broadcasting, the satellite television venture.

Reed, now part of the merged Reed Elsevier international media group, will, it is believed, get around £40m ($60m) for its indirect stake of 3.66 per cent in BSkyB. The company will also get rid of guarantees and other possible liabilities of more than £150m.

The sale comes as Pearson, owners of the Financial Times, Granada and Chargeurs are competing arrangements for the renewal of financing deals which run out this month.

In May 1991, Reed decided not to invest any more money in BSkyB and was diluted to its present 3.66 per cent. It said existing publishing and information businesses would have first call on investment funds.

Mr Peter Davis, chairman of Reed International, said yesterday: "The merger with Elsevier confirmed this view of our strategic priorities and the re-financing this month of the 1990 facilities provides the opportunity for us to complete our withdrawal."

Reed no longer has any part in the management of the satellite venture.

Pearson, Chargeurs, and Granada, the main BSkyB shareholders apart from Mr Rupert Murdoch's News Corporation, will split the Reed stake equally between them.

A report due out this week from stockbrokers James Capel is expected to value the BSkyB equity at £2bn.

# CKD faces closures without cash injection

By Patrick Blum in Prague

CKD, one of the Czech Republic's biggest companies, needed an injection of Kcs1.3m ($45m) in capital if it was to avoid closing several subsidiaries with the loss of 5,000 jobs, Mr Jan Havelka, the general director, said yesterday.

The company, which makes railway engines, trams, diesel generators for power plants,; produces steel, electrical engineering equipment and motor parts, has seen the collapse of its main markets in the former Comecon trade bloc.

The company is being privatised, but plans for a joint venture to make transport equipment with ADG of Germany and Secheron of France with investments of DM200m ($126.5m) will have to be abandoned if CKD is not provided with the necessary finance.

# BBV drops 19.9% to Pta81.1bn

By Tom Burns in Madrid

BANCO Bilbao Vizcaya (BBV), Spain's biggest private bank, yesterday reported a 19.9 per cent drop in net profits for 1992 but will increase its dividend because of an improvement in its core banking business.

BBV blamed the lowered profits of Pta81.1bn ($71m), against Pta101.2bn in 1991, on a 42 per cent drop in extraordinary income.

The bank earned Pta70.4bn through non-banking business in 1991, chiefly through the disposal of two subsidiaries. However, this fell to Pta40.2bn last year.

Mr Emilio Ybarra, BBV chairman, justified a Pta6 increase in the dividend to Pt169 per share on account of "a tremendous improvement" in the bank's operating profit, which rose 11.1 per cent to Pta136bn, and its ordinary profit, up 8.6 per cent to Pta74.2bn.

BBV raised its provisions for writedowns and bad debts by 47.6 per cent to Pta55.8bn.

He said the bank had put behind it the problems of its foundation merger in 1988 between Banco Bilbao and Banco Vizcaya and said it was on line for sustained growth.

Last year, the BBV group increased its share of the banking sector's deposits and other borrowed funds by 1.25 per cent to 14.29 per cent. Bad debts grew 15.7 per cent against an average of 50 per cent in doubtful loans for the Spanish financial sector as a whole.

Operating expenses declined by 2.3 per cent.



# Tenneco returns to the black in fourth quarter

By Martin Dickson in New York

TENNECO, the US conglomerate in the throes of restructuring, yesterday reported fourth-quarter net income of $35m, compared with a net loss of $26m in the same period of 1991. Operating performance was better at all the group's six divisions, although its J. I. Case farm and construction equipment business remained in the red.

The net income figure, which worked through at 21 cents a share, against a loss of 24 cents a year ago, included an extraordinary loss of $13m, while the 1991 period involved a $5m loss from discontinued operations. Net income from continuing operations was $47m, compared with a loss of $204m, and revenues were 8 per cent lower at $3.3bn.

The company's improvement dates from the arrival of Mr Michael Walsh, who took over as chief executive at the start of last year. Mr Walsh, who revealed last month that he was suffering from a brain tumour, said the 1992 turnround was "but the first phase of a long-term transformation of this company".

For the year as a whole the group produced net income of $292m, or $1.92 a share, including a gain from discontinued operations of $71m and a $12m extraordinary loss. In 1991, it lost $732m, or $6.09, including restructuring charges, gains on asset sales and a $40m loss from discontinued operations.

The natural gas pipeline operations reported fourth-quarter operating income of $111m, up from $99m, excluding a gain on asset sales. The improvement was due to increased volumes, higher rates on the pipeline system and cost controls. It expected another much improved year in 1993.

Case narrowed its fourth-quarter loss to $94m, compared with a loss of $227m in the same period of 1991, despite a 32 per cent cut in production levels. The company attributed this to the fact it had stopped being the industry's leading discounter, while also making continued cuts in operating costs and headcount.

It said it would cut production 18 per cent in the first quarter, compared with the same period of 1992, to keep inventories in line with market conditions, and expected a loss for the period. However, it aimed for Case to at least break even for 1993 as a whole.

The automotive parts business tripled its operating income from $18m to $54m in the quarter, while shipbuilding was up from $49m to $61m, packaging from $21m to $64m, and chemicals made $23m, against a $4m loss.

# Strong growth at GTE, Sprint

By Martin Dickson

TWO leading US telecommunications companies, GTE and Sprint, yesterday reported double-digit underlying growth in fourth-quarter earnings.

Sprint, the third-largest long-distance operator, reported a 19 per cent increase in fourth-quarter net income, from $98m, or 45 cents a share, to $117m, or 53 cents, on revenues which rose 10 per cent to $2.41bn.

GTE, the largest local telephone group in the US, reported net income of $417m, or 44 cents, down from $515m, or 57 cents, a year ago.

However, the 1992 figures included one-time after-tax charges of $100m, or 11 cents a share, including $48m for the sale of its electrical products business.

Earnings per share from continuing operations, excluding accounting changes and a one-time gain on the sale of cellular properties, rose 10 per cent.

GTE reported 1992 income from continuing operations of $1.79bn, or $1.95, including a $137m after-tax charge for a change in accounting for health benefits.

In 1991 the company reported income from continuing operations of $1.53bn, or $1.69. Revenues totalled $19.98bn, up from $19.62bn.

Sprint's local telephone operations reported operating income of $160m, down from $164m, on revenues up 7 per cent to $766m.

The company said the figures were affected by increased costs associated with the upgrade of its customer billing system.

For the full year, Sprint reported net income of $457m, or $2.07 a share, compared with $368m, or $1.68, in 1991. The figures were helped by a change in accounting standards which added 17 cents a share, while there was a 3 cents charge for early retirement of debt.

Revenues were up 5 per cent at $9.23bn.

# PepsiCo encouraged by 21% rise

By Nikki Tait

PEPSICO, the US soft drinks, snacks, and fast-food restaurant group, yesterday reported an underlying 21 per cent increase in after-tax profits to $1.4bn in 1992, before including charges related to accounting changes and other one-off items.

*The company said that earnings per share* – on a similar basis – were up by one-fifth at $1.80, and that the improvements were achieved on a 14 per cent increase in sales, to $22bn.

The bottom-line figures, after taking in the one-off items, paint a very different picture, however.

After taking account of a $195.5m restructuring charge and almost $400m for the adoption of the new accounting standard on non-pension retire*ment benefits, after-tax profits* fell from $1.08bn to $374.3m in 1992.

PepsiCo said that it was encouraged by the underlying figures, with all three divisions recording double-digit growth in "ongoing" profits.

"Our domestic beverage division is being completely restructured," noted Mr Wayne Calloway, PepsiCo chairman, "and our aggressive acquisition activity, over 50 [acquisitions] in all, is doing a lot to expand and strengthen our *core businesses*."

On the New York Stock Exchange, PepsiCo shares were down $½ at $41¾ before the close.

# Posco 27% increase beats forecast

By John Burton in Seoul

POHANG Iron and Steel (Posco), the world's third-largest steel company, yesterday reported that net earnings for 1992 rose by 27 per cent to Won185.1bn ($230m).

The South Korean state-run group's result was better than expected. Analysts had predicted profits of Won150bn, while its own forecast was Won169bn.

Sales totalled 6,180bn, an increase of 6 per cent.

Profits were boosted by a rationalisation programme to cut production costs by Won160bn, increased sales of higher-valued steel products, and a fall in raw material prices.

Analysts predict that Posco earnings could climb to Won220bn this year as its capital costs shrink following the completion last year of its fourth and final steel plant, located at Kwangyang.

Posco, however, could have its exports to the US curtailed if Washington decides to impose dumping duties in June. Its main export to the US is hot-rolled steel sheets, which face a 30 per cent dumping penalty. The steel is mainly delivered to UPI, a California-based 50-50 joint venture of Posco and USX.

Posco said it would compensate for the possible loss of US sales by increasing shipments to Asian countries, including China, Japan and south-east Asia, which are already its largest export customers.

# Australian retailers say interim sales up

By Bruce Jacques in Sydney

COLES Myer and Woolworths, Australia's two leading retailers, both reported increased interim sales and forecast profit improvements when they report in March for their latest half-years.

*Coles* reported a 4.1 rise in per cent sales to A$7.85bn (US$5.3bn) for the six months to January 24.

Mr Peter Bartels, Coles Myer chief executive, said sales in the latest quarter had risen 4.3 per cent, against an increase of just 1.4 per cent a year earlier.

Coles' performance was again surpassed by its smaller rival, Woolworths, which announced an 11.3 per cent rise in sales to A$5.45bn in the 28 weeks to January 3.

Woolworths directors noted that the company's sales increase easily surpassed that in national retail sales, which grew by about 5.3 per cent in the period.

They said the company expected to surpass forecast earnings before interest and tax of A$272m for the 53 weeks to June 27.

● BHP has further consolidated the refinancing of its complex investment in Beswick, the vehicle which controls around 20 per cent of BHP's own capital.

BHP directors yesterday announced that Westpac Banking Corporation had agreed to hold its 'B' redeemable preference shares in Beswick until October 1996, subject to a put-and-call arrangement.

**ERM PARITY GRID**

**Bilateral central rates and selling and buying rates from February 1 1993**

| | | B Fr L Fr 100= | D Kr 100= | FFr 100= | DM 100= | I£ 1= | Fl 100= | PEsc 100= | Pta 100= |
|---|---|---|---|---|---|---|---|---|---|
| Belgium-Lux | S | – | 553.000 | 628.970 | 2109.50 | 50.8650 | 1872.15 | 23.6765 | 30.0880 |
| | C | – | 540.723 | 614.977 | 2062.55 | 49.7289 | 1830.54 | 22.3006 | 28.3364 |
| B.Fr/Lux.Fr | B | – | 526.700 | 601.295 | 2016.55 | 48.6230 | 1789.85 | 21.0025 | 26.6875 |
| Denmark | S | 18.9143 | – | 116.320 | 390.160 | 9.40600 | 346.240 | 4.37910 | 5.56450 |
| | C | 18.4938 | – | 113.732 | 381.443 | 9.19676 | 338.537 | 4.12423 | 5.24047 |
| D.Kr | B | 18.0831 | – | 111.200 | 373.000 | 8.99220 | 331.020 | 3.88420 | 4.93540 |
| France | S | 16.6310 | 89.9250 | – | 343.050 | 8.27030 | 304.440 | 3.85030 | 4.89260 |
| | C | 16.2608 | 87.9257 | – | 335.386 | 8.08631 | 297.661 | 3.62626 | 4.60772 |
| FFr | B | 15.8990 | 85.9700 | – | 327.920 | 7.90640 | 291.040 | 3.41520 | 4.33960 |
| Germany | S | 4.95900 | 26.8100 | 30.4950 | – | 2.46600 | 90.7700 | 1.14800 | 1.45900 |
| | C | 4.84837 | 26.2162 | 29.8164 | – | 2.41105 | 88.7526 | 1.08122 | 1.37386 |
| DM | B | 4.74000 | 25.6300 | 29.1500 | – | 2.35700 | 86.7800 | 1.01800 | 1.29400 |
| Ireland | S | 2.05664 | 11.1208 | 12.6480 | 42.4268 | – | 37.8478 | 0.476156 | 0.605033 |
| | C | 2.01090 | 10.8734 | 12.3666 | 41.4757 | – | 36.8105 | 0.448443 | 0.569818 |
| I£ | B | 1.96616 | 10.6315 | 12.0915 | 40.5515 | – | 35.9919 | 0.422344 | 0.536655 |
| Netherlands | S | 5.58700 | 30.2100 | 34.3600 | 115.2350 | 2.77840 | – | 1.29350 | 1.64355 |
| | C | 5.46286 | 29.5389 | 33.5953 | 112.6730 | 2.71662 | – | 1.21825 | 1.54798 |
| Fl | B | 5.34150 | 28.8825 | 32.8475 | 110.1675 | 2.65620 | – | 1.14740 | 1.45789 |
| Portugal | S | 476.130 | 2574.50 | 2928.10 | 9823.20 | 236.774 | 8715.40 | – | 134.920 |
| | C | 448.416 | 2424.69 | 2757.66 | 9248.80 | 222.994 | 8208.49 | – | 127.065 |
| Esc | B | 422.320 | 2283.60 | 2597.20 | 8710.80 | 210.015 | 7731.00 | – | 119.670 |
| Spain | S | 374.710 | 2026.20 | 2304.40 | 7728.00 | 186.338 | 6859.20 | 83.5630 | – |
| | C | 352.903 | 1908.23 | 2170.28 | 7278.77 | 175.495 | 6460.05 | 78.6998 | – |
| Pta | B | 332.380 | 1797.10 | 2043.90 | 6854.00 | 165.280 | 6084.00 | 74.1180 | – |

S = Exchange rate at which the central bank of the country in the left hand column will sell the currency identified in the row at the top of the table
C = Bilateral central rate
B = Exchange rate at which the central bank of the country in the left hand column will buy the currency identified in the row at the top of the table

# GM to take accounting charge of $20.8bn

By Martin Dickson

GENERAL Motors, the struggling US carmaker, is to take a $20.8bn after-tax charge to comply with a new standard of accounting for the post-retirement health benefits of employees.

The company also announced it would be taking a much larger-than-expected fourth-quarter charge relating to its plan to sell a significant proportion of its stake in National Car Rental Systems.

This is now expected to work through at $744m after tax. The company previously suggested a $300m charge might be necessary. It said the increase related primarily to the write-off of goodwill on NCRS' books.

All US companies have to adopt the new accounting standard, but GM's charge is expected to be by far the biggest of any corporation, because of both the company's size and the age profile of its workforce.

GM stressed the charge – which works through at $33.38 a share, and will be applied retroactively to January last year – is a non-cash item which will not affect the company's cash flow or ability to pay dividends. However, it will cause a major dent in the equity on the company's balance sheet.

The accounting standard, FASB 106, involves changing from a system of recognising the cost of retiree health benefits when the money is paid out, to a system of recognising the expense when the obligation is incurred. Companies could choose either take a charge for catching up on past obligations in one go, as GM has done, or amortise the cost over 20 years.

Mr Richard Wagoner, chief financial officer, said GM had decided on a one-time charge.

Companies also have an additional ongoing annual charge, which GM said would amount to $1.4bn, or $2.05 a share, in 1992.

The size of the charge was no surprise to Wall Street, since GM had signalled that it faced an obligation of roughly this size. The only question was whether it would take it *in one go, or over 20 years*.

Mr Wagoner said GM continued to be encouraged by recent trends in its loss-making North American operations and continued to aim for break-even there in 1993 before interest, tax and FASB 106 expenses.

● GM also elected two new non-executive board members: Dr Louis Sullivan, president of the Morehouse college school of medicine who was health secretary under President Bush; and Mr John Bryan, chairman of foods group Sara Lee.

# Sulzer calls off sale of unit to IMI

By Ian Rodger in Zurich

SULZER, the Swiss engineering group, has cancelled the agreed sale of its Thermtec valves and control systems division to IMI, the British industrial group.

Sulzer said a "material difference" arose between the two parties during the negotiation, which began last September.

*Thermtec, which makes* precision components for fossil fuelled and nuclear power plants, recorded annual sales of SFr80m ($52.71m) and is profitable.

Sulzer said price was not the only factor. The Swiss company was seeking "the most optimal environment" for the *business, which meant* preserving it as a centre of excellence in Winterthur.

IMI said it was prevented by a non-disclosure agreement from commenting on the abortive deal.

# Matra-Hachette claims sound profit

By David Buchan in Paris

MATRA-HACHETTE, the newly-created French media-to-missiles group, yesterday reported that its divisions made a profit "in the region of" FFr350m ($63.3m) in 1992.

Mr Jean-Luc Lagardère, the flamboyant president and controlling shareholder of the group, forecast a rosy future for the merger, formalised last December, which linked the Matra defence and transport business with the Hachette publishing company.

He promised "a very substantial increase" in profit this year. He forecast that Matra-Hachette's turnover, which totalled FFr55bn last year, would rise by an average annual 5 per cent to 1996, while profits would increase by 30 per cent a year over the same period.

"By 1996, at the latest, we will be making FFr1bn profit a year", he told a press conference.

In its last year as a separate entity, Matra reported a FFr191m profit for the first six months of 1992.

For its part, Hachette, weighed down by the collapse of La Cinq television station, which was wound up last November, recorded a FFr39m loss over the same period.

Conceding his mistaken venture into TV, Mr Lagadère yesterday prided himself and his team on the speedy merger, which takes the unusual form of a "société commandite par actions". It entails other shareholders delegating considerable responsibility to Mr Lagardère who, in return, carries unlimited personal liability.

Jean-Luc Lagardère: predicts rosy future after merger

Mr Lagardère claimed that, despite past problems with La Cinq, Matra-Hachette was not starting married life with a millstone of debt around its corporate neck.

Without counting its convertible bonds, it had FFr7bn in funds and a net debt of FFr3bn, he said. The new group was able to generate a cash-flow – after paying for investments and dividends – of FFr3.8bn a year and would be able to repay an average FFr900m a year in debt, he said.

Mr Lagardère bridled at the description of his group as a conglomerate, saying this implied it would be constantly buying, selling and shifting activity in search of maximum capital gains. He stressed that, instead, the group's nine divisions were all in "solid areas" – defence, space, telecoms, rail transport, cars, newspapers, books, distribution, and audio-visual.

# BA set to market some USAir internal flights 'as its own'

By Nikki Tait in New York

BRITISH Airways plans to market certain flights to internal US destinations operated by USAir, in which it has invested $300m, "as though those services were BA's own".

It will also put its own logo and signs over check-in facilities at airports from which these services depart.

The UK-based carrier will make clear to customers that these "code-share" flights – which will carry the airline designator code of both carriers – are being operated by USAir, the sixth-largest US carrier.

But the two carriers will share customer complaint information on these flights, and invest "substantial resources" to develop software to facilitate reservations and automated handling on these flights.

These are some of the critical details of a proposed "code-share" agreement between the two airlines, spelt out in a copious filing made late on Monday with the US Securities and Exchange Commission.

Also in the filing are details of the revised investment agreement between the two companies. This reveals that USAir will seek to divest its US-UK routes as soon as possible, and that BA will apply to take over the Charlotte-London, Pittsburgh-London and Baltimore-London services, using USAir pilots and cabin crew.

The aim is for the two companies to share profits from the routes but, if this is not feasible, BA will pay USAir up to $50m over a five-year period.

Yesterday morning, lawyers for the "big three" US carriers – American, Delta and United, who are strongly opposed to the revised BA-USAir tie-up – were still wading through the lastest documents.

The three airlines successfully utilised some of the "small print" contained in an earlier SEC filing by BA, to lobby against the British carrier's previous plan to invest $750m into USAir in return for a 44 per cent equity interest.

BA has since revised that proposal, injecting $300m into USAir in return for securities which can convert into a 19.9 per cent voting interest in USAir. The new investment agreement allows BA to invest another $300m over the next three years, and a further $250m over the following five years.

# Telmex in line with expectations

By Damian Fraser in Mexico City

TELEFONOS de Mexico (Telmex), Mexico's monopoly telephone utility and the country's largest private company, reported net profits of 7.972bn new pesos ($2.56bn) for 1992, an increase of 1.9 per cent in real terms on 1991.

The results were in line with expectations, but Telmex shares fell in early trading yesterday.

Excluding extraordinary items such as 1991's profitable debt swap, Telmex profits increased in real terms by 12.4 per cent last year, and 14.1 per cent in the fourth quarter, similar to growth of recent years.

Telmex intends to invest 7.518bn new pesos in modernising Mexico's antiquated telephone system this year.

It hopes to increase lines in service by 12.3 per cent, or 850,000 lines, and to extend fibre-optic cables carrying long-distance calls to 6,000km.

The investment in updating the telephone system, mandated by the government concession, is one of largest in the world.

The company, as required by government regulation, increased lines in service by 12.1 per cent last year, with sales up by an inflation-adjusted 13.7 per cent.

"There were no real surprises in the 1992 numbers, except the company took a $20m-$25m write-off for obsolete equipment," said Mr Mickey Schleien, Latin American analyst at Morgan Stanley.

Profit margins fell slightly, as costs grew faster than revenues, due to the company's "additional commitment to quality," Mr Schleien said. Line growth also slowed in the last quarter of 1992.

*Telmex is controlled* by Grupo Carso, the Mexican conglomerate that successfully placed $350m of stock on international markets last week.

The offering was the first important one by a Mexican company since Banamex, Mexico's largest bank, abandoned its share offer in June last year due to lack of demand.

# Frankfurt airport puts freeze on recruitment

By Ariane Genillard in Frankfurt

THE Frankfurt airport authorities yesterday announced a recruitment freeze until April 1 in an effort to cut labour costs and stem losses.

Mr Wilhelm Bender, who took over as president of Flughafen Frankfurt Main last month, warned that the company's net loss for 1992 would be "as high as the previous year".

The airport recorded a DM29.4m ($18m) loss for the fiscal year ending December 31 1991.

Mr Bender blamed mainly increasing labour costs, which accounted for 43 per cent of the company's overall expenses in 1992.

"We are faced with a drastic erosion of our basic capital if we don't change direction," he said. He did not expect the airport to return to profits in the near future.

# Kolbenschmidt chief executive warns continued losses possible

By David Waller in Frankfurt

KOLBENSCHMIDT, the car components subsidiary of the Metallgesellschaft group, may make losses until the end of 1994, the new chief executive warned.

Mr Heinrich Binder said that the market for car suppliers had become more difficult since the start of the new business year in October. In the year to the end of September, group losses were DM90m ($56.9m) after barely breaking even in the previous year.

He said the loss for the current year would not exceed last year's figure and sales would be no less than the DM1.513bn achieved in 1991-92. Sales in the first quarter of the current year rose 11 per cent to DM398m.

The company's air-bag and steering-wheel businesses were expected to do well during the year, but all other operations would be put on short-time working for six months, Mr Binder said.

# SocGen closer to takeover of securities house

By Richard Waters

SOCIETE Générale has bought out the remaining 19.7 per cent of Société Générale Strauss Turnbull, the London-based securities house which it has been trying to build into a broad-based trading, research and derivatives firm.

The purchase, understood to have cost less than £4m, ($6.04m) was described by SGST executives as part of a long-term move by the bank progressively to take on full ownership of the firm. It did not signal any change in direction, said Mr Paul Tisch, chief executive.

The bank's stake has grown since it first took 55 per cent of Strauss's Eurobond arm in 1980. In the mid-1980s, it took the maximum permissible 29.9 per cent in the the firm's equity operation. Hambros Bank held a similar stake, but sold its interest in 1991.

Mr Derek Strauss, son of Mr Ronald Strauss, one of the founders of the original Strauss Turnbull partnership and himself holder of 5 per cent of SGST, said he would remain with the firm, along with the other directors.

# Thai carrier blames higher costs for fall

By Victor Mallet in Bangkok

THAI Airways International, *the partially-privatised* national airline, yesterday blamed higher costs and increasing competition for a sharp fall in profits in the first quarter to December 31.

Thai announced that net profits fell to Bt120m ($4.7m) in the quarter from Bt792.2m a year earlier.

*In a statement to the Thai* stock exchange, the airline said operating expenses rose 8.32 per cent over the year, while yields were lower than expected because the airline decided to maintain market share by lowering fares on some routes. Thai said there was strong competition in Asia from new airlines such as Eva and Aseana.

Thai said it would cut costs by suspending some investments which would not affect earnings, and would introduce marketing strategies such as frequent-flier programmes.

# Sharp increase in earnings at Siam Commercial

By Victor Mallet

SIAM Commercial Bank has *followed other Thai banks* in announcing sharply increased earnings for last year.

Net profits rose 56 per cent to Bt4.18bn ($163.7m) in 1992 from Bt2.68bn a year before, while earnings per share rose to Bt109.51, from Bt82.87.

Like all Thai banks, SCB has profited from the wide gap between deposit rates and lending rates in Thailand, a phenomenon that the commercial banks have collectively been able to sustain, in spite of quiet pressure from the central bank to narrow the gap.

SCB's interest income rose 2 per cent last year, while its interest expense fell by 13 per cent, resulting in net interest income growth of 49 per cent.

However, some brokers expressed disappointment that SCB's net interest income as a proportion of average assets was 3.7 per cent, lower than that of some of its competitors.

# Bangkok Land in 43% advance

By Victor Mallet

BANGKOK Land, the property developer which became the largest company on the Thai stock exchange at its listing a year ago, has announced a 43 per cent rise in consolidated net profits for the first nine months to Bt3.52bn ($138m).

Profits in the third quarter to December 31 rose by 31 per cent to Bt1.25bn.

Oversupply has brought prices some Bangkok residential property prices down but Bangkok Land has concentrated on the relatively buoyant low-cost housing market.

The company is looking to projects in mainland China for some of its future profits.

# Japan's Daihatsu in Malaysian car joint venture

By Kieran Cooke in Kuala Lumpur

MALAYSIA'S ambitious programme of industrialisation took a step forward yesterday with the signing of a joint venture deal between Malaysian *and Japanese companies* to build the country's second car plant.

Daihatsu Motor Company of Japan will build a 660cc mini-car in partnership with three Malaysian partners and Mitsui, the Japanese industrial and trading conglomerate. The initial cost of the project is put at M$400m (US$153m).

Malaysia already produces more than 100,000 Proton cars a year in a joint venture with Mitsubishi of Japan.

Under the terms of the joint-venture agreement, Daihatsu will take a 20 per cent stake in the project, the local Daihatsu *distributor 5 per cent and Mitsui*, 7 per cent.

The Malaysian partners are the state-owned Permodalan Nasional – which together with its listed subsidiary, UMW Holdings, will control 48 per cent – and Med-Bumikar Mara, a newly-formed Malay-controlled company, which will have a 20 per cent stake.

The new car, to be based on the existing Daihatsu Mira model, will be built at a plant now being constructed outside Kuala Lumpur.

The first car is scheduled to roll off the assembly line in mid-1994.

*Initial production at the* plant is put at 20,000 vehicles a year, subsequently rising to 45,000 units.

As with the Proton, launched in the mid-1980s, the driving force behind the new car project is Dr Mahathir Mohamad, the Malaysian prime minister.

However, many question the need for a second *national* car, particularly at a time when the Malaysian economy shows signs of slowing and sales of Protons in the highly-protected domestic market are falling.

Dr Mahathir says the new car will provide a cheaper alternative to the Proton. A standard Proton now costs about M$33,000 on the domestic market.

Malaysian officials say that the new car will be given various tax incentives and protection – including exemption from duty of components imported from Japan – and will not cost more than M$24,000.

The future of the new car venture was in doubt for much of last year, apparently due to Daihatsu's insistence that its executives fill important management positions in the project.

At a signing ceremony yesterday, Mr Takashi Toyozumi, Daihatsu's president, said his company was committed to transferring technology to its Malaysian joint-venture partners.

Dr Mahathir is reported to have been dissatisfied at the slow rate of technology transfer from Japan in the Proton car venture.

## INTERNATIONAL CAPITAL MARKETS

# Treasuries slip as strong economic data sparks selling

By Patrick Harverson in New York and Sara Webb in London

MORE strong economic figures sparked retail selling on US bond markets yesterday, leaving Treasuries lower across the board at the halfway stage.

By midday, the benchmark 30-year government bond was down ⅜ at 104⅜, yielding 7.231 per cent. At the short end of the market, the two-year note was 1/16 lower at 100 1/16 to yield 4.217 per cent.

### GOVERNMENT BONDS

The day's economic news was singularly bearish for bonds. The Commerce Department reported that December US leading economic indicators rose 1.9 per cent, a much bigger increase than analysts had expected. The data followed the news that new home sales surged 6.3 per cent in December, again a bigger rise than the market had forecast.

The figures prompted selling across the board, especially by retail players. Prices were also pressured lower by a reluctance among market participants to trade ahead of today's important refunding announcement, which will reveal how much the Treasury will issue of three-year, 10-year and 30-year securities.

■ THE Bank of England saw strong demand for its three-year Ecu notes yesterday when it resumed its quarterly Ecu note programme with its first tender for several months.

The Bank's Ecu note programme was halted last October when turbulent conditions in the Ecu and European government bond markets forced it to cancel a planned auction. However, as conditions in the bond and foreign exchange markets have stabilised recently, the Bank announced it would resume its quarterly programme.

Yesterday's tender of Ecu 500m of notes was heavily oversubscribed, with a bid-to-cover ratio of five times and a very narrow range of accepted bids. The highest accepted yield was 8 per cent and the lowest 7.99 per cent. The coupon was set at 8 per cent.

Dealers said the strong demand for the paper reflected growing confidence in the Ecu market after the turmoil and uncertainty of recent months following Denmark's rejection of the Maastricht treaty.

The tender results had little impact on the Ecu bond market, which weakened slightly yesterday. The Ecu futures contract on the Matif traded at around 110.04 by late afternoon, against Monday's close of 110.08.

■ UK government bonds closed up half a point at the long end, helped by outright buying and some switching out of shorter maturities. Dealers said hopes of another cut in the base rate are fading, leading to a slight fall in prices at the short end.

■ EUROPEAN government bond prices edged higher in lacklustre trading with attention focusing on developments in Germany. The German public sector pay talks are due to resume today and the Bundesbank Council holds its regular meeting on Thursday. Some dealers are hoping to see an easing at today's repo, but doubt a cut in official interest rates will materialise this week.

■ JAPANESE government bond prices closed firmer, with the futures contract reaching a new high as speculation about an interest rate cut continued.

The release of relatively high unemployment figures helped to fuel hopes that the Bank of Japan would ease soon. Unemployment in December rose to 2.4 per cent from 2.3 per cent the previous month. Jiji, the Japanese news agency, reported later that the Bank of Japan was expected to lower its official discount rate by 75 basis points to 2.5 per cent on Thursday.

News that Mr Yutaka Yamaguchi, director of the Bank of Japan's policy planning department, had emphasised the timing was not right for a rate cut dampened the futures price during London trading.

The March futures contract opened at 109.68 and closed at 109.77, the high of the day. The yield on the benchmark No 145 bond, ended the day unchanged at 4.30 per cent, having traded in a range of 4.28 to 4.375 per cent. Traders noted a successful auction of long-dated stock as the Ministry of Finance offered Y800bn of 20-year bonds with a coupon of 5.3 per cent.

### FT FIXED INTEREST INDICES

| | Feb 2 | Feb 1 | Jan 29 | Jan 28 | Jan 27 | Year ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt.Secs.(UK) | 95.27 | 95.21 | 94.76 | 94.89 | 94.45 | [illegible] | 95.54 | 85.11 |
| Fixed Interest | 110.75 | 109.94 | 109.85 | 109.76 | 109.50 | [illegible] | 110.75 | 97.15 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 110.75 (2/2/93), low 50.53 (3/1/75)

### GILT EDGED ACTIVITY

| Indices* | Feb 1 | Jan 29 | Jan 28 | Jan 27 | Jan 26 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 158.4 | 168.6 | 227.8 | 169.5 | 176.0 |
| 5-Day average | 180.2 | 173.8 | [illegible] | 145.7 | 138.7 |

* SE activity indices rebased 1974

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 10.000 | 10/02 | 108.9232 | +0.204 | [illegible] | 8.77 | 8.96 |
| BELGIUM | | 8.750 | 06/02 | 107.8080 | - | 7.56 | 7.56 | 7.84 |
| CANADA * | | 8.500 | 04/02 | 103.0500 | +0.450 | 8.02 | 8.01 | 7.92 |
| DENMARK | | 8.000 | 06/03 | 96.5000 | -0.120 | 8.55 | 8.42 | 8.97 |
| FRANCE | BTAN | 8.500 | 03/97 | 101.9477 | +0.377 | 7.91 | 7.92 | 8.02 |
| | OAT | 8.500 | 11/02 | 104.0700 | -0.020 | 7.86 | 7.89 | 8.09 |
| GERMANY | | 8.000 | 07/02 | 105.0500 | +0.050 | 7.10 | 7.14 | 7.23 |
| ITALY | | 12.000 | 05/02 | 95.6300 | +0.380 | 13.22† | [illegible] | 13.74 |
| JAPAN | No 119 | 4.800 | 06/99 | 103.3053 | +0.211 | 4.14 | 4.24 | 4.46 |
| | No 145 | 5.500 | 03/02 | 107.3666 | +0.088 | 4.30 | 4.35 | 4.55 |
| NETHERLANDS | | [illegible] | [illegible] | 107.7900 | +0.080 | 7.06 | 7.15 | 7.22 |
| SPAIN | | 10.300 | 06/02 | 92.0500 | +0.550 | 11.71 | 11.77 | 12.89 |
| UK GILTS | | 10.000 | 11/96 | 110-30 | -3/32 | 6.63 | 6.77 | 7.24 |
| | | 9.750 | 08/02 | 111-06 | -8/32 | 8.03 | 8.15 | 8.29 |
| | | 9.000 | 10/08 | 103-26 | +6/32 | 8.52 | 8.70 | 8.59 |
| US TREASURY * | | [illegible] | [illegible] | 99-26 | - | 6.40 | 6.43 | 6.84 |
| | | 7.625 | 11/22 | 104-15 | -19/32 | 7.25 | 7.21 | 7.38 |
| ECU (French Govt) | | 8.500 | 03/02 | 102.0750 | [illegible] | 8.17 | 8.36 | 8.69 |

London closing, *denotes New York morning session. Yields: Local market standard † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

# Liffe prepares Spanish 10-year bond contract

By Tracy Corrigan

THE London International Financial Futures and Options Exchange (Liffe) is preparing to launch a new 10-year Spanish government bond futures contract which will compete directly with a contract on Meff RF, the Spanish futures exchange based in Barcelona.

Liffe's decision to launch a rival contract was sharply criticised by Mr Jose Luis Oller, Meff RF's chief executive. "We think it is the wrong policy for a market which is not very large," he said. "[Liffe is] going to segment the market and split the liquidity."

Meff's 10-year contract currently trades around 6,500 contracts a day, while its three-year contract is hardly traded.

Liffe argued that the new contract would be positive for the market. "The listing...will increase international participation in the 10-year Spanish government debt market, widening distribution and hence potentially contributing to a reduction in the funding cost of this debt," said Mr Nick Durlacher, Liffe's chairman.

Liffe already trades contracts listed on other domestic exchanges, such as German bund and Italian bond futures.

The new Liffe contract, which starts trading on March 10, is designed to tap international interest in the Spanish government bond market, which is recovering after a severe dip last year. Foreign holdings currently account for around 20 per cent of the market, according to Bank of Spain figures, down from around 33 per cent a year ago.

International participation is expected to recover further. "Of all the high-yielding markets, Spain has most of the right credentials," according to Mr Steve Major, an economist at Crédit Lyonnais Securities.

The introduction of the Liffe contract is expected to encourage spread-trading between markets, using other government bond futures listed on Liffe. The move is also likely to promote the development of a more active repo market in Spanish government bonds, traders said.

# Credit Suisse wins mandate for $500m offering from IADB

By Tracy Corrigan and Antonia Sharpe

THE Inter-American Development Bank yesterday launched its expected $500m issue of 10-year Eurobonds, after a fierce round of competitive bidding among banks for the mandate to arrange the issue.

### INTERNATIONAL BONDS

Credit Suisse First Boston was awarded the mandate to arrange the deal, which was priced to yield just 18 basis points more than the 6⅜ per cent Treasury due 2002. Dealers were not surprised by the aggressive pricing of the offering, given the level of competition among potential underwriters. The bonds looked expensive compared with 10-year paper for the Asian Development Bank, trading at a yield spread of 21 basis points. However, there is a lack of paper trading below par, following the recent rally in the US Treasury market. Dealers reported some demand from Asia, but said the deal would take some time to place.

Meanwhile, Italy is reported to be considering launching a large dollar transaction, totalling $2bn to $3bn, following its recent DM5bn Eurobond. However, dealers said such an issue would have to be carefully priced, as investors remain nervous about the credit.

The Portuguese escudo bond market was tapped for the first time since last April by the European Investment Bank, which launched an Esc10bn five-year bond.

An official at Espirito Santo Sociedade de Investimentos, the lead manager, said the convergence of interest rates between the Euro-escudo and the domestic escudo since the liberalisation of capital movement in Portugal last December made the issue attractive to domestic investors.

The EIB bond was priced at 100.75 to yield 12.53 per cent, which compared with a yield of 12.47 per cent in the recent auction of Portuguese government bonds of a comparable maturity. The bonds were trading at 99.90, well inside total fees of 1⅝ per cent.

Two further Canadian dollar issues, totalling C$470m, for a Japanese government-backed agency, and the Austrian government-guaranteed Asfinag added to the supply in an already over-crowded market. Syndicate managers said distribution was slow since there was little to choose between the issuers. More than C$1bn has been issued since Friday.

Dealers said the 10-year paper from Japan Finance Corporation for Municipal Enterprises went well, as its yield spread of 43 basis points over comparable Canadian government bonds was more generous than other recent issues. By contrast, the syndicate on Asfinag's 10-year offer, which yielded 40 basis points over, had still not broken by last night.

● Columbia plans to launch a sovereign Eurobond this year to open the way for public and private entities to tap international capital markets, according to finance minister Mr Rudolf Hommes, Reuter reports.

"We are preparing it for this year, I don't know whether in the first or the second half," he said.

Mr Hommes added that the final amount was still under discussion but added the funds raised would be used to repay expensive public borrowing.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | |
| Inter-American Dev.Bank | 500 | 6.625 | 99.395 | Feb.2003 | 0.325/0.1 | CSFB |
| Godo Steel(a)♦ | 100 | 2.375 | 100 | Feb.1997 | 2.25/1.5 | Yamaichi Int.(Europe) |
| Zenchiku Co.(b)♦ | 50 | 0.25 | 100 | Feb.1997 | 2.25/1.5 | Daiwa Europe |
| YEN | | | | | | |
| Mitsui Toatsu Chemicals | 20bn | 5.3 | 101.475 | May.2000 | 1.875/1.7 | Nomura Int. |
| Mitsui Toatsu Chemicals(c) | 10bn | 4.5 | 101.625 | May.1997 | 1.625/1.5 | Yamaichi Int.(Europe) |
| STERLING | | | | | | |
| Northern Foods(d)§ | 91.25 | 6.75 | 100 | Aug.2008 | 2.5 | NM Rothschild |
| CANADIAN DOLLARS | | | | | | |
| Asfinag | 300 | 8.5 | 101.618 | Mar.2003 | 2/1.875 | Swiss Bank Corp. |
| JFM | 170 | 8.5 | 101.375 | Mar.2003 | 2/1.5 | IBJ International |
| GUILDERS | | | | | | |
| Nederlandse Waterschapsbank | 500 | 7.125 | 100.75 | Mar.2003 | 1/0.625 | ABN Amro |
| ESCUDOS | | | | | | |
| European Investment Bank | 10bn | 12.5 | 100.75 | Feb.1998 | 1.625/1.25 | ESSI |

Final terms and non-callable unless stated. §Convertible. ♦With equity warrants. ‡Floating rate note. a) Final terms fixed on 10/2/93. b) Final terms fixed on 8/2/93. c) Puttable on 24/5/96 at par. d) Semi-annual coupon. Conversion price: 326p. Non-callable until 1/8/98.

# Northern Foods launches £91.28m debut issue

By Antonia Sharpe

NORTHERN Foods, the UK dairy and convenience food company, yesterday launched the first sterling convertible bond issue for two months, taking advantage of rising UK share prices and falling interest rates.

Strong demand enabled the food company to increase the size of the issue, which marked its debut in the international capital markets, to £91.28m from £85m.

The coupon was set at 6.75 per cent, the low end of the indicated range of 6.75-7.00 per cent, and the conversion price was set at 326p a share, representing a premium of 18.11 per cent over the ordinary share price at the time of pricing. This came in at the top of the indicated range.

Mr Martin Clark, finance director of Northern Foods, said the issue was aimed at repaying short-term debt of £120m linked to last year's £359m acquisition of Express Dairy and Eden Vale from GrandMet. "The issue also improves the company's debt [maturity] profile," he said.

The 15-year issue, redeemable after five years, represents 5 per cent of Northern Foods' share capital. The bonds were priced at par but rose to 101¼ in grey market trading.

Convertibles dealers were hopeful that Northern Foods' issue heralded a pick-up in a market which has been virtually moribund for the last 12 to 14 months, during which high interest rates and low share valuations discouraged finance directors from using this sort of financing.

## MARKET STATISTICS

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on February 2

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABN 9 1/8 94 | 200 | 106¼ | 106⅝ | -⅛ | 4.75 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 110¼ | 110⅝ | -⅛ | 5.28 |
| AUSTRIA 8 1/2 00 | 400 | 111 | 111⅜ | | 6.49 |
| BANK OF TOKYO 8 3/8 96 | 100 | 107½ | 108 | | 5.75 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY 7 1/2 95 LFr | 600 | 97½ | 98½ | | 8.64 |
| BCSC 7 3/4 94 LFr | 1000 | 99½ | 100½ | | 8.05 |
| WORLD BANK 8 96 LFr | 1000 | 101¼ | 102¼ | | 7.71 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Further sections (DEUTSCHE MARK STRAIGHTS, FLOATING RATE NOTES, SWISS FRANC STRAIGHTS, YEN STRAIGHTS, CONVERTIBLE BONDS): [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 20 | 38 | 19 |
| Other Fixed Interest | 12 | 1 | 2 |
| Commercial, Industrial | 377 | 255 | 790 |
| Financial & Property | 240 | 84 | 475 |
| Oil & Gas | 21 | 16 | 48 |
| Plantations | 4 | 0 | 5 |
| Mines | 61 | 10 | 70 |
| Others | 54 | 25 | 30 |
| Totals | 789 | 429 | 1,439 |

### LONDON RECENT ISSUES

EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

[illegible]

[illegible] Figures based on prospectus estimates. [illegible] Ex-dividend. [illegible] Dividend and yield based on prospectus or other official estimates for 1992-93. [illegible] Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. [illegible] Unlisted securities market. [illegible] Issued in connection with reorganisation, merger or takeover. [illegible]

### TRADITIONAL OPTIONS

● First Dealings Jan 25
● Last Dealings Feb 12
● Last Declarations May 6
● For settlement May 17

*3-month call rate indications are shown in Saturday editions.*

Calls in: AMEC, Bellhaven, Bellwinch, BM Group, Caverdale, Countryside, Emess, Fairhaven, Govett, LEP, Nat. Home Pref., Norex, Pegasus and Proudfoot (A.). Puts in: ADT, Penlos and Tay Homes. Puts & Calls: Blue Circle, Hanson Wts., Ferranti and Fairhaven

### FT-SE ACTUARIES INDICES

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### LIFFE EQUITY OPTIONS

[illegible]

February 2 Total Contracts 24,923 Calls 14,063 Puts 10,860 FT-SE Index Calls 4,581 Puts 2,165 [illegible] FT-SE Calls 115 Puts 310 *Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

### FT-ACTUARIES FIXED INTEREST INDICES

| | PRICE INDICES | Tue Feb 2 | Day's change % | Mon Feb 1 | Accrued interest | xd adj. 1993 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | Up to 5 years (25) | 128.77 | -0.02 | 128.79 | 1.10 | 1.67 |
| 2 | 5-15 years (23) | 147.25 | +0.01 | 147.23 | 1.80 | 1.81 |
| 3 | Over 15 years (8) | 153.27 | +0.42 | 152.64 | 1.37 | 1.28 |
| 4 | Irredeemables (6) | 173.10 | +0.28 | 172.61 | 2.56 | 0.00 |
| 5 | All stocks (60) | 143.29 | +0.06 | 143.21 | 1.51 | 1.67 |
| | Index-Linked | | | | | |
| 6 | Up to 5 years (2) | 185.75 | -0.07 | 185.88 | 1.33 | 0.00 |
| 7 | Over 5 years (11) | 167.93 | -0.23 | 168.31 | 0.62 | 0.62 |
| 8 | All stocks (13) | 169.12 | -0.21 | 169.48 | 0.70 | 0.55 |
| 9 | Debs & Loans (62) | 125.94 | +0.34 | 125.52 | 2.95 | 0.26 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Tue Feb 2 | Mon Feb 1 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 6.51 | [illegible] | 8.73 |
| 2 | Coupons | 15 years | 8.06 | 8.10 | 9.15 |
| 3 | (0%-7¾%) | 20 years | 8.40 | [illegible] | 9.15 |
| 4 | Medium | 5 years | 7.01 | 6.99 | 9.51 |
| 5 | Coupons | 15 years | 8.54 | 8.56 | 9.24 |
| 6 | (8%-10¾%) | 20 years | 8.74 | 8.78 | 9.18 |
| 7 | High | 5 years | 7.20 | 7.19 | 9.74 |
| 8 | Coupons | 15 years | 8.81 | 8.82 | 9.32 |
| 9 | (11%-) | 20 years | 8.90 | 8.93 | 9.25 |
| 10 | Irredeemables (Flat Yield) | | 8.82 | 8.85 | 9.36 |
| | Index-Linked | | | | |
| 11 | Inflation rate 5% | Up to 5yrs | 2.18 | 2.13 | 3.91 |
| 12 | Inflation rate 5% | Over 5 yrs | 3.71 | 3.69 | 4.28 |
| 13 | Inflation rate 10% | Up to 5 yrs | 1.37 | 1.29 | 3.27 |
| 14 | Inflation rate 10% | Over 5 yrs | 3.53 | 3.50 | 4.11 |
| 15 | Debs & | 5 years | 8.68 | 8.68 | 10.95 |
| 16 | Loans | 15 years | 9.62 | 9.69 | 10.71 |
| 17 | | 25 years | 9.83 | 9.90 | 10.59 |

Corrected yields for January 27 and 28 can be obtained by telephoning FT Statistics on 071-873 3847.

## COMPANY NEWS: UK

# Hoping to put profits on the line

### Binatone's plans will bring it into competition with Amstrad. Paul Taylor reports

BINATONE Electronics, the privately-owned electronics group run by Mr Gulu Lalvani, is poised to broaden its product range and compete directly for the first time with companies like Philips and Amstrad in Europe's consumer electronics market.

Binatone, founded by Mr Lalvani and his brother in 1958, became the UK's leading importer of transistor radios in the 1960s. It has grown into an international group with headquarters in Hong Kong and annual sales of between £60m and £80m focused on audio equipment and more recently on the UK market for consumer telephone equipment.

Now Mr Lalvani has positioned his group to gain a larger share of the fast growing market in continental Europe for consumer telephone equipment, while expanding its product range to include satellite television, facsimile and video equipment.

One immediate consequence of this growth strategy is that the friendly rivalry between Mr Lalvani and Mr Alan Sugar, Amstrad's chairman, who was given his first business break by Asian-born Mr Lalvani, has become more strained.

This was highlighted last month by the surprise announcement that Mr Robert Watkins, Amstrad's technical and manufacturing director and a key Sugar aide, was joining Binatone as group managing director.

Mr Watkins helped develop many of the products which fuelled Amstrad's success in the 1980s. At Binatone he will be responsible for UK and Hong Kong operations.

His first task has been to complete a business review and work out a strategy for taking Binatone from corded telephones and expanding into cordless telephones and then into satellite systems.

In the first year he expects to increase sales by 50 per cent and launch Binatone into "three or four new product areas", beginning with a high-specification low-price cordless telephone due in September.

Binatone's design and marketing expertise coupled with its low cost manufacturing base in the Far East should give it a advantage over many of its competitors.

In the UK it has been targeting the consumer telephone business for more than two years and has an annual turnover of about £20m.

Binatone has captured an unrivalled 30 per cent market share under its Binatone and Dialatron brands. It also supplies equipment which is rebadged and sold by other companies such as BT. Most of its products are made in Hong Kong and southern China.

The timing of its drive into broader markets in Europe is critical. The advent of the single market presented new business opportunities, as has the steady deregulation of markets like telecommunications.

Meanwhile, many local competitors, including Philips and Amstrad, have seen their consumer electronics business hit hard by competition from manufacturers in Japan and the Far East.

Amstrad in particular appears to be drifting following last month's abortive attempt by Mr Sugar to buy-out his fellow shareholders for 30p a share. However, during the attempt it became clear that Mr Sugar, who said he had run out of "blockbuster" product ideas for Amstrad, also saw the market for consumer telecommunications equipment as a potential growth area.

Amstrad already manufactures facsimile machines for domestic and small business use and is developing a videophone product with GEC Marconi.

A determined push into the telecommunications equipment market would come through Betacom, the separately-quoted UK-based consumer telephone equipment company which became a Amstrad subsidiary last year.

Mr Sugar has described Betacom, which has a modest £13.7m market capitalisation, as Amstrad's telephone arm. He has moved quickly to consolidate his grip over the loss-making company which has been run by Mr Ken Ashcroft, Amstrad's former corporate finance director, since last July.

Mr Ashcroft has instigated a rationalisation of Betacom's product range and refocused its business on the UK market. One consequence of Amstrad's ownership is that its 49 per cent stake in Loewe Betacom, a profitable German joint-venture, was put on the auction block. In November it was acquired by Binatone for about £1.8m.

The joint venture, in which BMW and Mitsubishi are its partners, was founded in 1990 with the aim of supplying equipment to the newly-liberalised German telephone market.

In its first full year of business sales reached a profitable DM20m (£8.4m) and during the first 10 months of last year it increased its share of the German market to 10 per cent with a 50 per cent increase in sales.

The joint venture is an important plank in Binatone's new European strategy. Mr Lalvani believes there is substantial growth potential in the German market itself, and that Binatone will be able to apply the lessons it has learned from the deregulation of the UK market.

He also sees the renamed Loewe Binatone as a springboard for telephone equipment sales across continental Europe where telecommunications liberalisation is expected to fuel a fast growing consumer equipment market.


Gulu Lalvani: rivalry with Alan Sugar becomes more strained

In the UK the telephone equipment market is one of the few areas of the economy to have shown growth in both volume and value throughout the recession. Sales of telephone answering machines, for example, increased by 30 per cent last year and Binatone more than doubled its sales.

This year Binatone will concentrate on boosting cordless phone sales in the UK. However, there is little doubt that the UK market for consumer telephone equipment, worth £158m at end of 1991, is maturing and margins are growing thinner. Over the next three to five years the best growth prospects for may well lie in continental Europe.

If so Amstrad, the share price of which is languishing around 25p, and Betacom, the price of which has climbed back to 17½p recently having fallen to a low of 13½p in October, may have to reconsider their strategy yet again.

By that stage investors could have another choice. Mr Lalvani said he would consider bringing Binatone to the market once the recession is over.

# Shareholders approve Pepe rescue measures

By Nigel Clark

ACTIONS to try to safeguard the future of Pepe Group, the jeans designer and distributor, have been approved by shareholders. As a result the USM quotation has been cancelled.

Under the open offer of 199.9m shares to raise £9.1m, applications were received in respect just over 1m shares or 0.5 per cent. The offer was underwritten by SML, a company set up by its new management and Novel, the Hong Kong textile group, which now has a controlling interest.

SML has an inventive option to buy up to 75 per cent of Pepe's equity if and when the company's market capitalisation reaches £118m. A $25m (£16.5m) global advertising campaign will be launched.

The provision of £35m of new banking facilities, which were conditional on the approval, have been agreed.

The new management consists of Mr Silas Chou, who became chairman when Novel acquired 29.6 per cent of Pepe in March last year and Mr Lawrence Stroll, a director of Tommy Hilfiger, the US clothes group, as chief executive officer. Mr Maurice Marciano, former president of Guess Jeans, is vice chairman and chief executive officer (Americas). Mr Arun Shah, who founded Pepe, stays on the board as an executive director.

# Sales drop and provisions leave Eleco in the red

A sharp drop in sales in November and December, plus further substantial provisions against the cost of withdrawing from property development, pushed Eleco Holdings into a loss of £2.21m for the six months to end-1992.

Directors said current trading was showing some improvement over last year.

Sales fell to £23.6m (£26.4m). After provision of £1.4m (£649,000) the loss compared with a restated profit of £513,000. Losses came to 7.5p (earnings 2.6p). The interim dividend is omitted (2.3p).

Short-term order books were better in a number of companies.

# Property still a problem for restructured Miskin

By Graham Deller

A SHARP cut in interest payable and lower exceptional charges helped Miskin Group, the USM-quoted construction company, report much-reduced annual losses for the 12 months to July 31.

Losses before tax were £2.19m, against £7.36m in the previous 18 month period, struck after exceptional costs of £532,000 (£4.62m) relating to property write-downs. Interest payable was £709,000 (£1.81m).

Turnover, reflecting the sale of Laing Demolition and Nirimba Roofing & Insulation, dropped from £19.6m to £10.6m.

The two businesses incurred losses of £961,562 and £59,083 respectively over the year.

Mr Jeffrey Goodman, chairman, said the main core business had returned a modest profit of £4,812 pre-tax against losses of £1.04m last time, while the tool hire side, now reorganised, turned a deficit of £44,623 into pre-tax profits of £9,299.

The group's property assets, however, were proving difficult to sell, he said.

"The reduction of the stock of properties is currently a priority, as without this involvement and costs thereof, the trading subsidiaries would appear able to bring the group back into profit."

There is again no dividend; the last payment was in 1990.

## NEWS DIGEST

# Heiton warns on second half

HEITON Holdings, the Dublin-based steel and builders' merchants, and Atlantic Homecare DIY retailer, reported a 15 per cent improvement in interim profits but warned on prospects for the second half.

Effects of the currency crisis and extraordinarily high interest rates would have their impact, said Mr Diarmuid Quirke, chairman.

Investment projects were being deferred and consumer spending would be affected until interest rates returned to *levels at which investment* could be justified and mortgage repayments were at more manageable levels.

For the six months ended October 31 the core businesses improved their trading performances to produce total sales of I£30.1m (I£29.7m) and a pre-tax profit of I£945,000 (I£820,000). In sterling terms turnover was £30.8m and profit £967,000.

Earnings per share worked through at 1.9p (1.75p) and the interim dividend is again 0.65p.

### Armitage shakes off sales decline

Continuing tight control on costs and cash flow enabled Armitage Bros, the pet foods group, to hold pre-tax profits in the 28 weeks to December 13.

On sales reduced from £13.1m to £12.9m, profit came to £715,000, compared with £712,000. Net interest charges *were cut to £69,000 (£122,000).*

Mr Russell Taylor, chief executive, explained that consumers spent less and traded down on pet accessories and Christmas goods. Exports generally, and home sales of Wafcol dog food in particular, performed well.

The UK market remained sluggish but there was the opportunity to build on export performance through the devaluation of sterling.

Last year's tax charge benefited from a substantial credit, so this time earnings per share were down from 13.4p to 11.9p. The interim dividend is again 2.6p.

### Dale Electric sells French businesses

Dale Electric International, a maker of AC and DC power systems, is selling three of its businesses in France to Kaufel of Canada.

The businesses, which have a combined annual turnover of FFr80m (£9.5m), are Comptoir General Impex, Ratec and Elaul. They make emergency lights and rechargeable battery *systems for EC and north African* markets, and have a 15 per cent market share in France.

### City & Commercial shares suspended

Dealings in the shares of City & Commercial Investment Trust were temporarily suspended at the company's request yesterday following shareholders' approval of reorganisation proposals.

The capital shares were suspended at £15.38p and the income shares at 26p.

### Growth for Fleming Claverhouse

At the end of December 1992 net asset value at Fleming Claverhouse Investment Trust had risen to 377.9p, against 341.2p a year earlier.

During the year the trust's share price rose 12.9 per cent *and led to the elimination* of the discount to assets. The shares are currently trading at a premium of about 5 per cent.

Net revenue totalled £2.33m (£1.89m). Earnings per share rose to 10.85p (9.47p) and a fourth quarterly dividend of 3.2p makes a total of 10.7p (10.5p).

A 1-for-1 scrip issue is also proposed.

### Damages against 3M total $29.9m

Fairhaven International yesterday announced the final verdict of the court judgment between its 36 per cent-owned Nishika Group and Minnesota Mining and Manufacturing Company.

Fairhaven, a specialist within the oil, gas and petrochemical construction industries, was seeking damages from 3M after it changed the emulsion formula of its 3-D print material, causing Nishika 3-D photographs to fade and lose colour.

The value of the final judgment against 3M is $29.9m (£19.8m), which includes the *initial award of $25.5m made* on December 31 for damages plus pre-judgment interest.

3M may appeal against the judgment but will have to pay interest of 10 per cent on the full $29.9m until it is settled.

### Graig independents reject Williams offer

An offer for Graig Shipping from Idwal Williams has been rejected by independent directors as not reflecting sufficiently the true value of the company.

They are not able to recommend it to shareholders, but discussions are continuing. They were advised by Close Brothers.

Idwal Williams owns 50.45 per cent of the ordinary and 5.96 per cent of the A non-voting shares in Graig, and also manages its shipping and investment activities.

It has offered 125p cash for the ordinary and 120p for the A, which represented premiums of 67 per cent and 62 per cent respectively over the share prices prevailing immediately prior to the announcement of an approach in early December.

Yesterday the ordinary shares lost 9p to 129p while the A dropped 14p to 124p.

Size of contractors' provisions may undermine recovery financing

# Write-downs could top £1bn

By Andrew Taylor, Construction Correspondent

BRITAIN'S 10 biggest construction companies are expected to announce provisions of between £650m and £700m when they publish annual results later this year, according to latest City forecasts.

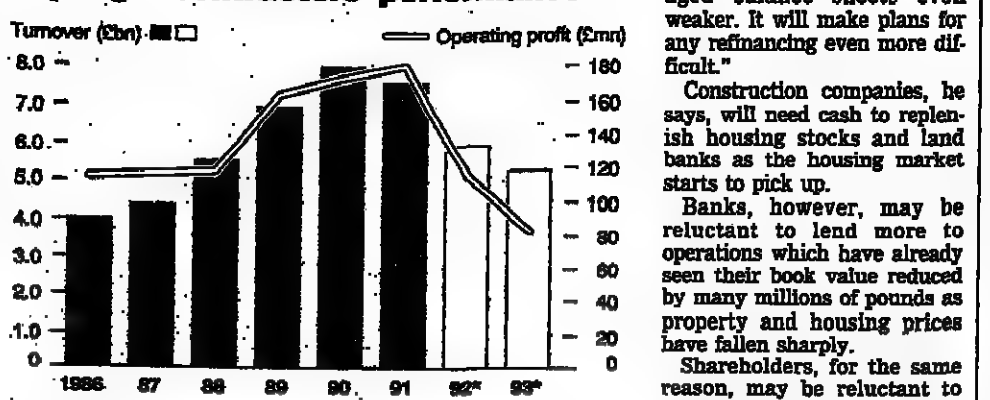
Warburg Securities and Barclays de Zoete Bevan say the scale of the provisions, following substantial write-downs last year and in 1990, could seriously undermine the ability of some companies to raise capital to finance a recovery.

Total provisions from the sector may top £1bn when write-downs from small and medium housebuilders and construction companies are included.

The biggest provision, totalling £250m, is expected to be made by Tarmac's construction, property and housing operations.

Wimpey, following warnings issued by the company last month, is expected to make provisions of £120m. Taylor Woodrow is expected by both brokers to make write-downs of about £65m.

**Top eight contractors' performance**



Source: BZW *estimate

Costain, Amec and Trafalgar House are also forecast to make sizeable provisions.

The findings provide further bad news for banks which lent large sums in the late 1980s to finance commercial property and housing developments which in some cases have fallen below the value of the original loan.

Mr Mark Stockdale, construction analyst for Warburg, said: "The bulk of the provisions this time are likely to be against commercial property developments. This compares with previous years when companies mainly were writing down housing developments."

He estimated that the top 20 builders in the four years between 1989 and 1992 between them wrote-off £800m from the book value of housing land and developments.

Mr Amarjit Chhina, construction analyst with Barclays de Zoete Wedd, said: "The provisions will make already damaged balance sheets even weaker. It will make plans for any refinancing even more difficult."

Construction companies, he says, will need cash to replenish housing stocks and land banks as the housing market starts to pick up.

Banks, however, may be reluctant to lend more to operations which have already seen their book value reduced by many millions of pounds as property and housing prices have fallen sharply.

Shareholders, for the same reason, may be reluctant to support a rights issue particularly for those construction companies which had issues in 1991, ostensibly to finance a recovery. In many cases this money has been used to offset cash losses and reduce borrowings.

Construction companies will also find it difficult to use their contracting operations to generate cash with UK construction output forecast to fall by a further 2 per cent this year following falls of 6 per cent and 9 per cent in the two previous years.

# Johnson Matthey share sale details soon

By Kenneth Gooding, Mining Correspondent

DETAILS OF the sale of £250m-worth of shares in Johnson Matthey, the platinum marketing company, by the Charter Consolidated conglomerate are likely to be made known next week.

A clue to the timing came when Johannesburg Consolidated Investment, the South African mining finance house which is widely expected to play a crucial role, possibly by buying 29.9 per cent of JM postponed the announcement of its annual results.

JCI said the board meeting at which the figures were to be approved would be held "towards the end of next week" because that would be more convenient.

All the companies are perceived by the investment community to be part of an extended "family" controlled by the Anglo American Corporation of South Africa. Analysts suggested that, while Anglo might be willing to see Charter cut adrift, it would want to maintain an influence over JM.

Anglo and its sister organisation, De Beers, between them own more than 60 per cent of Minorco, the group's Luxembourg-quoted offshore investment arm, and Minorco owns 36 per cent of Charter.

Mr Jeff Herbert, Charter's managing director, has dismissed analysts' suggestions that his relationship with the former Minorco management was strained and had contributed to his desire for Charter to sell its 38.4 per cent of JM. He said that the working relationship between Charter and Minorco had always been "excellent" and that the two former joint managing directors of Minorco, Mr Tony Lea and Mr Roger Phillimore, had become his personal friends.

# Fyffes tops expectations with advance to I£28.5m

By Tim Coone in Dublin

FYFFES, the Dublin-based fruit wholesaler, reported a 5.26 per cent increase in pre-tax profits from I£27.1m to I£28.5m (£29.3m) for the year to October 31, on turnover down 13.8 per cent to I£524m.

The company said it believed the results represented "a significant achievement in the light of more difficult trading conditions this year", a view endorsed by analysts in Dublin who said the results were slightly ahead of expectations.

Sales volume had actually increased, the reduced turnover reflecting low fresh produce prices in the UK market, and stiff competition in the European banana market.

Mr Carl McCann, group finance director, said that the withdrawal of sterling from the ERM last September and its subsequent devaluation had also deflated the profit and turnover figures, "as most of our business is done in sterling".

He said that the translation difference was 16 per cent. the results in 1991 being calculated at an exchange rate of 92p to the pound, while the 1992 results were calculated at 109p to the pound.

The company said it expects sales in the mainland European market to grow in 1993 as a result of its deal with Saba Trading in Sweden to supply "a substantial part of their banana requirements under the Fyffes label" and which also allows Fyffes to take a stake in Saba's Dutch and Spanish distribution subsidiaries.

The company also drew attention to the fact that it has now obtained the right to use the Fyffes trademark worldwide "which is essential to the development of our international business in the new single market in Europe".

Mr McCann said that the new EC banana regime, which will come into force in July, "may make it more difficult to get direct volume growth, and will mean we will have to focus more on acquisition".

The company has a I£100m cash hoard, most of it currently on deposit in the Dublin market where it has been able to attract high interest rates during the currency crisis.

Brokers in Dublin said this should improve profit figures for 1993, as should the punt's devaluation this week and improved trading conditions throughout the EC.

Earnings per share were 5.9p (6.73p) and a 10 per cent increase in the final dividend to 0.8978p is recommended, making a total of 1.2527p.

# Medeva enters Europe with French acquisition

By Richard Gourlay

MEDEVA, the pharmaceutical company, yesterday announced the acquisition of Institut de Recherche Corbiere, a French company that distributes a range of ethical products.

The acquisition is Medeva's first in Europe and will provide a platform and a sales force for the launch of other products.

Medeva is paying FFr93.8m (£11.6m) - FFr40m immediately in cash with the balance payable after a year. IRC shareholders have the option to receive 81 per cent of this balance in Medeva shares.

In addition Medeva is paying FFr16.3m over five years in bonuses and possible performance fees to directors and the sales force.

Mr David Lees, finance director, said IRC directors would be able to help Medeva with registration of its flu vaccine in France. The vaccine, once registered, would be sold through the existing sales force to general practitioners.

This could open up a market, worth about £40m a year, which is overwhelmingly dominated by Institut Mereire.

Based in Paris, IRC has 67 employees, and had sales of FFr50m in the year to end-December 1991. That year it lost FFr4.74m after bearing the cost of building the sales force.

Medeva said it expected IRC to be profitable and to enhance earnings in 1993.

Mr Ian Gowrie-Smith, chief executive, said the deal was consistent with the strategy of expanding the product range through acquisition and internationalising the group's activities.

# SE criticised over plan to close USM

By Peggy Hollinger

PRICE Waterhouse yesterday criticised the Stock Exchange's proposal to close the Unlisted Securities Market and warned that as the economy recovers "the case for a second market will re-emerge".

In a survey on the future of USM companies the firm said recovery would revive demand for smaller companies.

"The USM itself was the product of an expanding economy," the report states. "The Stock Exchange's proposal... comes at a low point in the USM's 12 year history."

It was regrettable, the report continues, that the Exchange had rejected proposals to relaunch the USM "with sufficient distinction and identity to provide an alternative market".

Some 53 per cent of the 95 companies which responded to the survey – out of a total of 278 – were concerned about the potential closure of the USM. About 40 per cent said they welcomed the changes.

Price Waterhouse noted, however, that those which welcomed the changes were largely longer-established USM companies. This suggested they had possibly outlived the USM and were more prepared for a main market listing.

Most companies were in favour of a second market – 55 per cent as opposed to 45 per cent against.

Price Waterhouse said that experience had shown a main market listing would not necessarily answer problems of marketability.

The report also noted the concern of smaller companies about the possible loss of Inheritance Tax benefits in any transition to the Official List. More than 70 per cent considered the loss of such tax relief to be a significant obstacle.

"This situation is clearly unsatisfactory," the report stated.

# YRM incurs deficit of £498,000

By Andrew Taylor, Construction Correspondent

YRM, the architectural group, yesterday announced a pre-tax loss and a cut in the interim dividend in line with its warning in November.

For the six months to October 31 the pre-tax deficit was £498,000 on turnover of £7.89m, compared with a profit of £534,000 on sales of £10.2m.

The interim dividend is 0.5p (1.65p) – the directors, who control 47 per cent of the shares, have waived their entitlement reducing the cost to £35,000 (£218,000).

Losses per share worked through at 2.78p (earnings 2.54p).

Mr Tim Poulson, chief executive, blamed fierce competition in a much reduced construction market for the setback. This had led to a sharp reduction in the level of architects fees, damaging margins.

Losses included redundancy costs of £282,000 (£337,000); the labour force during the past three years has been halved to 300.

Mr Poulson said the savings in overheads, together with rents from surplus office space which had been sub-let, should put the group back in profit in the second half.

Even so, analysts expect losses for the year to be about £400,000. Mr Poulson said the group still hoped to pay a final dividend but would not make a decision until nearer the time.

Last year the final was cut from 3.35p to 2.35p, reducing the total from 5p to 4p.

The group saw little prospect of an improvement in the UK during the next 12 months. It said British clients had been slow to commission work in the first half. A number of projects which were expected to start had been delayed although some were now proceeding.

Reduction in UK commissions had been offset partially by a rise in overseas work. International commissions during the first half were almost equivalent to those won during the whole of the previous 12 months.

The Paris office, opened only two years ago, had won commissions from Air France and the French government.

The Berlin office, started last year, had secured its first substantial commission for the refurbishment of 13 hotels in eastern Germany.

Net debt at the end of October was £1.4m, equivalent to 15 per cent of shareholders funds. Gearing was expected to remain at that level at the year-end, said Mr Poulson.

# Dixons installs new chief at US offshoot

By Angus Foster

DIXONS, the electrical goods retailer, has replaced the head of Silo, its US subsidiary which last month announced mounting losses.

Mr Robert Sirkis, who was appointed president in September 1991, has left the company and been replaced by Mr Peter Morris, Dixons group property director.

Mr Stanley Kalms, chairman, said Mr Morris was "a better man for the job. He has a greater knowledge of what we want to do".

Analysts said the appointment suggested Dixons was taking closer control of Silo. Most of the original US senior management has now been replaced and more decisions are being taken in London.

Dixons bought Silo in 1987 for $320m and, as with several other UK retailers in the US, has seen its investment perform poorly. Silo was hit hard by the US recession and last month announced operating losses of £14.9m in the 28 weeks to November 14.

Silo is closing 45 of its 225 stores, which is likely to cost $40m (£26.4m), and full year operating losses are likely to exceed last time's £16.9m. Some analysts do not expect the company to return to profit for several years. "They are making the effort to sort it out, but long term problems of over eager expansion and poor store location remain," one said.

Mr Morris, 45, joined Dixons in 1988 but is not well known in the industry. He is a member of Dixons retail management group of senior managers, but not of the main board. He has recently spent time in the US overseeing Silo's property review and will take charge of the company's disposal programme, which Mr Kalms described as "well under way", and store remodelling.

Dixons shares gained 3p to 226p.

# Enterprise Computer statement

Enterprise Computer Holdings yesterday issued a statement concerning the appointment of receivers at three of its subsidiaries.

The statement says that on January 19 a winding-up order was made in respect of Enterprise Digital. This was followed on January 29 by the appointment of joint administrative receivers. A winding-up order was served on the company on February 1.

On December 22 1992 Enterprise began the procedure in France to appoint an administrative receiver at Enterprise Computer Services (Sarl), and on January 23 Enterprise applied to Barclays Bank to appoint an administrative receiver at Chase International Computer Services.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Adscene ....int | 1.8 | Apr 7 | 1.5 | - | 4 |
| Armitage Bros ....int | 2.6 | Apr 14 | 2.6 | - | 6 |
| Eleco ....int | nil | - | 2.3 | - | 3.3 |
| Fleming Clav'hse ....fin | 3.2 | Mar 1 | 3 | 10.7 | 10.5 |
| Fyffes ....fin | 0.8978♣ | Apr 6 | 0.8162 | 1.2527 | [illegible] |
| Helton ....int | 0.65♣ | Apr 8 | 0.65 | - | 2 |
| YRM ....int | 0.5 | Mar 29 | 1.65 | - | 4 |

Dividends shown pence per share net except where otherwise stated.
♣Irish currency.

# Northern Rock climbs 37% to £74.7m

By John Gapper, Banking Correspondent

NORTHERN Rock Building Society, the 11th largest building society, yesterday announced a 37 per cent rise in pre-tax profits, from £54.6m to £74.7m, in the year to December 31.

The society's strong pre-tax performance in the year was partly offset by an extraordinary loss of £5.7m from the sale of its Northern Rock Property Services estate agency chain, as goodwill previously written off was credited to reserves.

Profits after the extraordinary item and tax rose 22 per cent to £44.7m (£36.6m). This followed the takeover of the Lancastrian Building Society, which contributed 6 per cent to a 36 per cent rise in assets to £6bn (£4.4bn).

Mr Christopher Sharp, managing director, said he believed Northern Rock's performance would prove exceptionally strong among the larger societies. However, he thought societies would in general report good results for the year.

Mr Sharp said that 60 per cent of the society's provision of £12.5m (£6m) for possible bad debts during the year related to the Lancastrian's £25m commercial property lending book, which was now heavily provisioned.

He said that the Lancastrian's "sound" £230m portfolio of residential mortgage lending, and its 10 branches would bring in a regular annual income of between £4m and £5m.

Northern Rock's overall mortgage balances rose 34 per cent to £5bn (£3.7bn) and its net intake of retail funds rose 45 per cent to £914m (£636m). Mr Sharp said the inflow was helped by a postal saving account launched during the year.

The ratio of costs to total income fell by a fifth to 38 per cent, largely because of the rapid growth in assets while costs were contained. The ratio of management expenses to mean assets fell by a quarter to 1.04 per cent.

# Halved interest charge helps Adscene rise by 31% to £946,000

By Peter Pearse

THE HALVING of interest payable from £303,000 to £127,000 helped Adscene Group, the Canterbury-based newspaper publisher, lift pre-tax profits by 31 per cent in the 26 weeks to November 28 1992.

The rise to £946,000 (£720,000) was struck on turnover down by almost £1m at £7.11m. Operating profits edged ahead to £1.07m (£1.02m).

Mr Harry Lambert, chairman, said that, over the half, group borrowings were reduced from £3m to £2m, accounting for the decline in the interest charge. Borrowings would fall further in the second half.

The 12 per cent decline in group turnover was due to the 41 per cent downturn on the printing side, Mr Lambert said, because certain low margin contracts were deliberately lost. The division's contribution rose 8 per cent.

On the publishing side, total advertising revenue slipped 2 per cent – it was up 3 per cent in Kent, but fell 7 per cent in both London and Lincolnshire, the group's other regions. Operating profits in the division rose 4 per cent, largely because cover prices for the paid-for newspapers rose 10 per cent.

In Kent, where all Adscene's newspapers are free, advertising rates were reduced, though market share was increased.

The interim dividend is lifted to 1.8p (1.5p), payable from earnings of 4.54p (3.01p) per share.

# Increased research leaves Celltech losses higher at £7.46m

By Peter Pearse

PRE-TAX losses at Celltech, the biotechnology group which plans to float in the 1993-94 year, grew from £6.58m to £7.46m in the 12 months to September 30, as investment in research and development rose 13 per cent from £10.6m to £12m.

Operating losses declined to £9.32m (£9.45m) but interest receivable fell to £1.85m (£2.87m), as cash reserves shrank to £16m (£23.8m). In the current year net cash outflow is expected to amount to about £7.5m.

Mr Peter Fellner, chief executive, said Celltech had had "a successful year". He added that it had achieved important advances in the R&D programmes and in the alliances with pharmaceutical partners.

The company received milestone payments of £2m as the first tranches in the £26m agreement with Bayer, the German pharmaceutical group.

Celltech's collaboration with American Cyanamid for the development of antibodies to treat cancer was extended, and an agreement was recently announced with Schering-Plough to develop and commercialise recombinant antibodies to cytokines.

Turnover declined to £12.3m (£17m) and the operating profits from Celltech Biologics rose to £518,000 (£468,000). CB's manufacturing capability is to be expanded with a new facility in New Hampshire, which will finance the construction through the issue of £16.2m of state guaranteed bonds.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 03.02.93: Pool purchase price £/MWh | Final Prices for Trading on [illegible]: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 18.60 | 19.10 | [illegible] |
| 0100 | 21.65 | 18.60 | 18.60 |
| 0130 | 28.80 | [illegible] | [illegible] |
| 0200 | 28.80 | 28.71 | 28.23 |
| 0230 | [illegible] | [illegible] | 19.16 |
| 0300 | [illegible] | 19.10 | [illegible] |
| 0330 | 18.58 | [illegible] | 18.25 |
| 0400 | [illegible] | [illegible] | [illegible] |
| 0430 | 17.78 | 17.54 | 17.54 |
| 0500 | 18.07 | [illegible] | [illegible] |
| 0530 | [illegible] | 17.54 | 17.54 |
| 0600 | [illegible] | 17.54 | 17.54 |
| 0630 | [illegible] | 17.56 | 17.56 |
| 0700 | 21.67 | 20.17 | 21.51 |
| 0730 | 24.31 | [illegible] | 21.93 |
| 0800 | 24.01 | 21.84 | [illegible] |
| 0830 | 24.31 | 23.28 | 24.65 |
| 0900 | 29.04 | 23.28 | 24.65 |
| 0930 | 29.50 | 21.90 | 23.23 |
| 1000 | 29.51 | 21.90 | 23.22 |
| 1030 | 29.50 | [illegible] | 23.23 |
| 1100 | 24.31 | 21.90 | 23.23 |
| 1130 | [illegible] | 21.90 | 23.23 |
| 1200 | 24.31 | 23.28 | 24.65 |
| 1230 | 24.31 | 23.28 | 24.65 |
| 1300 | 24.31 | 22.71 | 24.08 |
| 1330 | 24.31 | [illegible] | 24.07 |
| 1400 | [illegible] | 21.90 | 23.24 |
| 1430 | 22.30 | 21.90 | 23.24 |
| 1500 | 22.30 | 21.90 | 23.25 |
| 1530 | 22.72 | 21.90 | 23.25 |
| 1600 | 22.72 | 22.06 | 23.46 |
| 1630 | 24.20 | 28.00 | 29.98 |
| 1700 | 31.81 | 29.79 | 32.06 |
| 1730 | 34.73 | 29.77 | 31.84 |
| 1800 | 34.87 | 28.15 | 30.04 |
| 1830 | 32.37 | 28.37 | [illegible] |
| 1900 | 30.26 | 26.23 | 27.63 |
| 1930 | 28.60 | 23.10 | 24.43 |
| 2000 | 27.09 | 21.70 | 23.00 |
| 2030 | 24.88 | 21.48 | [illegible] |
| 2100 | 22.30 | [illegible] | 21.89 |
| 2130 | 22.01 | 20.51 | [illegible] |
| 2200 | 21.67 | 18.60 | 18.60 |
| 2230 | 21.67 | 17.71 | 17.71 |
| 2300 | [illegible] | 17.56 | 17.56 |
| 2330 | 19.05 | 17.47 | 17.47 |
| 2400 | 17.76 | 17.46 | 17.46 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price [illegible] trading arrangements. It is dependent upon the [illegible]. Information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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## COMPANY NEWS IN BRIEF

BORTHWICKS has sold the business and stock of Ringmer Abattoir to Anglo Dutch Meats (Charing). The consideration amounts to £285,000 comprising an immediate £135,000 with the balance payable in instalments. The disposal marks the end of Borthwicks' involvement in the meat business.

BULGIN (AF) has acquired the business and trading assets of Source Electronics for £356,000. Source is engaged in the import and distribution of power supplies; net assets were £106,000 and pre-tax profit was £76,000 for year ended March 31 1992.

CALLHAVEN, the City-based desk top computer supplier, received applications worth £700,000 in response to its offer of up to 4m shares at 25p each. The offer has been extended to March 1 in a bid to reach the £1m target.

DYSON (J&J) has sold its articulated trailer fabrication business.

HARRIS (PHILIP) Holdings has acquired Kernick & Son, a laboratory equipment wholesaler which operates in south Wales, for £513,750 cash. In 1992 Kernick had a turnover of £2.15m and a loss before writing off capitalised goodwill of £48,500.

INCHCAPE says its subsidiary Inchcape Testing Services has acquired Interco, an industrial inspection and marine surveying company based in Tokyo.

JONES & SHIPMAN has disposed of the business and assets of its small tools division for £780,000 to WDS, a subsidiary of Suter.

KCA DRILLING: the offer by Abbott Holdings has been accepted in respect of 83.71 per cent of the capital at the first closing date.

RESORT HOTELS has expanded its network with the addition of Kirtons Resort Hotel and Country Club, Reading, which has 81 bedrooms. Resort has been awarded a 15-year management contract.

SOUTHERN Radio has sold Mellow 1557 which holds the AM licence in Tendring, Essex.

TRIBUNE NEWSPAPERS has received acceptances totalling 2.52m shares (89 per cent) in respect of its offer for Tribune Publications. The offer is closed.

UNICHEM has acquired the issued share capital of Ivor Shipley, which owns a pharmacy in Bromley, Kent, for a maximum £795,000, to be financed £447,500 in cash, and the issue of 140,199 shares.

WARDELL ROBERTS: Following offer by AIB Corporate Finance, on behalf of Oare, for Wardell, valid acceptances have been received in respect of 19.77m ordinary shares representing 88.4 per cent of the issued capital. The offer has become unconditional and will remain open until February 17.

WYKO GROUP has acquired Hytek Mouldings, the polyurethane components maker, for a cash consideration of £590,000. The book value of the net assets amounts to £498,000 with a further £287,000 for the open market value of the properties acquired.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Northumbrian Fine Foods.
Finals- Castle Cairn Investment Trust, Seecon.

FUTURE DATES

Interims-

| | |
|---|---|
| Everest Foods | Mar. 10 |
| GT Chile Growth Fund | Feb. 15 |
| Mid Wynd International | Feb. 16 |
| Newmark (Louis) | Feb. 11 |
| Pacific Horizon | Feb 24 |
| Throgmorton 1000 | Feb. 10 |

Finals-

| | |
|---|---|
| Anglo & Overseas | Feb. 12 |
| [illegible] | Feb. 26 |
| Brent Chemicals | [illegible] |
| Christies Intl | Mar 11 |
| Courtaulds Textiles | Mar. 3 |
| Crest Nicholson | Feb. 11 |
| Croda Intl | Mar. 30 |
| Doeflex | Mar 8 |
| Hay (Norman) | [illegible] |
| Kode Intl | Mar. 11 |
| P&P | Feb. 9 |
| Provident Financial | Feb. 25 |
| Sun Alliance | Apr 8 |
| Wimpey (George) | Mar. 16 |

## COMMODITIES AND AGRICULTURE

# Coffee rally continues as pact negotiations labour on

By David Blackwell

LONDON'S ROBUSTA coffee market continued to gain ground yesterday, taking heart from an overnight close above 60 cents a lb in New York's March contract.

At the same time delegates to the International Coffee Organisation talks on a possible new agreement laboured on, with little sign that concrete progress will be announced when they close on Friday.

ICO delegates were dismayed by the March New York contract's 6.75 cent tumble to 56.05 cents a lb last week. But the plunge appears not to have fuelled any burning desire to reach agreement during the present round of negotiations. "I can't think of one thing that we have actually agreed in the last few days," one consumer delegate said yesterday.

In late trading New York was almost 3 cents ahead, while London's May contract closed $36 up at $945 a tonne, well above last week's low of $801.

The recent volatility of the coffee market has been caused not by news from the ICO talks, which has followed much the same pattern as the last few meetings, but by the weight of investment fund money being moved around in New York. But the fundamental supply and demand factors suggest that prices should be beginning to move ahead.

In a briefing paper headed "Who needs a coffee pact?" GNI, the London futures broker, suggests that even without the help of an agreement, coffee should bounce from its current oversold condition back to around 75 cents a lb on tight supply alone.

GNI points out that the Brazilian crop for the 1992-93 year (ending in April) of below 20m bags (60 kg each) represents a 25 per cent reduction on the three previous years. . . "and a 25 per cent fall in production from the world's largest producer is enough to scare any commodity market".

Yesterday a separate report from E.D & F. Man estimated Brazil's crop for 1993-94 at 21.53m bags – slightly below most trade estimates, which have ranged between 22m and 23m bags. The news helped to support yesterday's price advance.

According to GNI, the fall in Brazilian output will leave consumer stocks at the end of this season 25 per cent below the 1990-91 peak of 19.7m bags. "By the end of the 1993-94 season, consumer inventories should be close to more normal levels of around 12m bags."

GNI believes that if good progress is made at the ICO, "then it is possible that a major rally back to $1 a lb is on the cards." However, the ICO has already fixed a further meeting for the last week of March. The agreement runs out on March 31.

Yesterday producers and consumers were still locked in negotiation over "selectivity" – which would determine whether three or four different sorts of coffee would be exported under a future ICO quota scheme.

Producers favour four, while consumers prefer three.

# Cobalt price slide halted by Zaire crisis

By Kenneth Gooding, Mining Correspondent

BLOODY RIOTS and killings in Zaire, like those seen in the past few days, once would have sent the price of cobalt soaring because that country is the world's biggest producer. But traders said yesterday that, while the latest orgy of violence in Zaire had made buyers nervous, cobalt metal prices had moved up only by between 50 US cents and $1 a lb.

Similar events in Zaire in September 1991 sent the free market price of cobalt (a hard, silver-white metal used in superalloys and essential for some motor industry products) from $20 to $35 a lb in a few days. It had started that year at only $7. Since then the market has been revolutionised by the collapse of the Soviet Union and a dramatic rise in Russian exports.

Meanwhile, demand for cobalt – used in such things as cutting tools, high-strength magnets and jet engines, as a powder in catalysts for the oil and man-made fibre industries and in radial tyres – has eased back because of recessionary conditions in much of the industrialised world.

According to the Cobalt Development Institute, about 23,000 tonnes of cobalt metal was produced last year, while demand was roughly 21,300 tonnes. Political turmoil in Zaire played havoc with production there and it slumped by 2,000 tonnes or nearly one quarter to 6,600 tonnes. At its peak, in 1986, Zaire's state-owned Gecamines produced 14,600 tonnes.

Last year Russian exports more than made up the deficiency and reached an estimated 5,000 tonnes. Russian production was probably 4,500 tonnes while the rest came from various stockpiles.

"The power in the cobalt market has shifted from Africa to Russia. There has been an avalanche of Russian material so that all last year's bad news about Zaire could not stop the cobalt price falling," pointed out Mr Nick French, a director of the Wogen Resources minor metals trading organisation.

The African producers' price set by Zaire and Zambia, where annual production is steady at about 4,500 tonnes, was cut last month from $25 to $18 a lb. The free market price of Russian cobalt is $11 to $12 a lb.

Mr French said: "Present events in Zaire have not change the outlook [for cobalt production there] – it remains atrocious. However, the killings have moved the story on to front pages so sentiment has been affected". Consumers were still not willing to sign long-term contracts but were no longer waiting until the very last moment to make short-term purchases, he said.

Speculators had withdrawn from the market and traders and merchants were reluctant to take positions.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,670-1,710 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.40 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.40-0.50 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.90-15.50 (15.00-15.60).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-145 (120-135).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 1.85-1.95 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) $WO_3$, cif, 40-50 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb $V_2O_5$, cif, 1.70-1.80 (same).

URANIUM: Nuexco exchange value, $ per lb, $U_3O_8$, 7.85 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

| | | |
|---|---|---|
| Aluminium | +5,000 | to 1,628,200 |
| Copper | +2,175 | to 313,500 |
| Lead | -875 | to 234,650 |
| Nickel | +408 | to 79,212 |
| Zinc | +5,875 | to 525,375 |
| Tin | +870 | to 18,645 |

# Selling wave hits Chicago wheat prices

By Laurie Morse

CHICAGO WHEAT futures tumbled in active trading as export prospects dimmed and professional traders, seeing little good news on the horizon, liquidated their wheat futures holdings.

Soft red winter wheat for March delivery was down more than 8 cents, at $3.71 per bushel at midsession. Analysts said managed futures funds sold wheat after March futures fell below a chart support point of $3.75.

News that Russia had recently received French credits to purchase 2.4m tonnes of European Community wheat and that the Republic of Kazakhstan has sold Russia 3.2m tonnes of wheat would limit Russia's appetite for US wheat, even if its credit problems were resolved, analysts said.

The Australian Wheat Board boosted its crop estimate to 15.3m tonnes, from 14.6m, but US traders said the upward revision had been expected and was not a major feature in the sell off.

# Rubber talks break up without price deal

By Kieran Cooke in Kuala Lumpur

FURTHER SIGNS of dissension have appeared within the International Natural Rubber Organisation, with the world's main producers and consumers failing to agree whether to cut the Inro reference price.

The reference price, now at 207.2 Malaysian cents a kilogram, is the base on which calculations are made to determine whether the Inro buffer stock manager buys or sells rubber.

A meeting here has broken up in deadlock with neither producers or consumers prepared to compromise on a new reference price. One participant at yesterday's talks – which were originally due to have concluded last Friday – said that any decision had been indefinitely postponed.

Under Inro rules the reference price has to be cut by 5 per cent if the average Inro daily market indicator price over the last six months period is below the organisation's "may buy" level – at present 176 cents.

Though natural rubber prices have flagged for much of the last few months, a recent sharp rally in prices has caused the six month average to jump to only 5 cents under the "may buy" level. Producers, led by Malaysia, want the figure to be rounded off to 176 cents to avoid triggering a price cut.

Consumers, led by the European Community, insist that the Inro rules should be followed.

This is the latest in a series of increasingly bitter rows between the two sides within Inro. The most vexatious issue at present is whether or not to have a new international rubber agreement.

The present agreement expires at the end of this year and producing countries have warned that unless progress towards negotiation of a new pact can be achieved by March, Inro could collapse. Producers would then bring in their own pricing mechanisms.

Meanwhile the rubber market been given new life in recent weeks by fears of supply shortages and a strengthening of demand from consumers. An early wintering season – the period of low latex production – has been reported from several producing areas in south-east Asia, a region that accounts for nearly 80 per cent of global natural rubber production.

Market prices for RSS 1 and SMR 20, two of the most commonly bought rubber grades, are now at 25 and 16 month highs respectively.

# Mauritanian fishing flounders for lack of investment

**Alastair Guild** reports on the problems holding back a potentially rich source of export earnings

MAURITANIA HAS some of the world's richest fishing grounds. A profusion of plankton, where the Canary current from the north meets the Guinea current from the south off the northern city of Nouadhibou supports species ranging from pink spiney lobsters, octopus and squid to sardines, horse mackerel and tuna. But under-investment in vessels and insufficient data about fish stocks remaining threaten to undermine the industry.

The novelty of fishing for most Mauritanians could help to explain the lack of investment. Less than 30 years ago, more than 80 per cent of the people, mostly Moors, led a nomadic, or semi-nomadic way of life, based on raising livestock. "We've traditionally looked more towards the sand than the sea," says the managing director of one of the country's largest fishing companies.

The country didn not have its own fishing fleet until the beginning of the 1980s. It started with 150 boats, but only 50 are now operational, and many of those only just. Many vessels lie rusting at anchor in Nouadhibou harbour.

The banks, meanwhile, are owed an estimated 13bn ouguiya (£84m) by the fishing industry, borrowed for the purchase of new boats, an amount which represents 40 per cent of the credit in the Mauritanian economy. The Union Bank for Development, one of the main lenders to the fishing industry, is likely to have its activities radically curtailed under the World Bank and IMF reforms.

Mauritanians, it seems, generally prefer to invest hard currency from fish sales in banks and businesses abroad, particularly in the Canary Islands and mainland Spain. Some figures suggest that the Mauritanian fishing industry channels US$100m a year through Las Palmas alone.

Most of the large industrial boats are owned jointly by Mauritania and other countries, such as Libya, Romania, Russia or Algeria. "Those countries don't have the money to invest in boats and neither, it appears, does Mauritania," comments one foreign diplomat who has taken a close interest in the fisheries sector. The cost of bringing the Mauritanian fleet back up to strength has been estimated at UM75bn (UM is the abbreviation for the ouguiya) or nearly £490m.

Just as worrying for the future of the industry is the lack of accurate information on fish stocks. According to figures published by the government's Oceanographic and Fisheries Research Institute (CNROP) in Nouadhibou, the level of fish stocks has been static in recent years. Foreign scientists, on the other hand, believe the numbers of some species to be critically low. "The Mauritanians don't know how many trawlers should be allowed in their waters, whether to permit 500 or 5,000," says one marine biologist.

The Japanese recently reported to the Mauritanian government that the octopus would become threatened if pipes – used mostly by smaller, traditional boats – continued to suck up immature as well as adult fish. The total octopus catch of 21,000 tonnes last year was worth $75m in export markets, principally Japan, out of total fish exports $220m.

Mauritanian boats are themselves reporting falling catches. "A vessel of average size used to land over 10,000 boxes of octopus, cuttlefish or squid after two months of fishing," says Mr Moulaye el Hassen, founder and managing director of Somacopp, a Mauritanian company with three industrial vessels. "Now, if you're lucky you can expect about 5,000 boxes after 70 days at sea."

Lobsters were once so plentiful that they were fished with nets. The decline in lobster numbers has been so disastrous that Portuguese boats now consider lobster fishing to be virtually uneconomic.

Log books listing catches are often not returned to the DCP, the Mauritanian fishery control authority. The main culprits seem to be Spanish and Portuguese captains. The absence of effective surveillance and punishment of vessels infringing quotas and net sizes is another concern. Of penalties totalling UM450m imposed over the last four years UM156m remains unpaid.

Foreign governments and multilateral agencies have been insisting on wide-ranging reforms of the Mauritanian fishing industry in exchange for major investment. For example, Mauritania should be eligible for a grant of Ecu9.6m (£7.85m) from the European Community, as compensation for a fall in 1990 cephalopod exports, under the Stabex provisions of Lomé Convention, a trade and aid agreement with former colonies of EC members. This is likely to be used partly to improve management within the CNROP. Foreign exchange will be made available for the purchase of inputs, mostly fishing gear and spare parts, but only to those boat owners who can show they are not indebted to the Mauritanian banks and can deposit the ouguiya equivalent.

Germany has invested nearly DM16m (£6.7m) since 1989 in the purchase and modernisation of the Priscilla, a 54-metre, former Scottish surveillance vessel. Rechristened N'madi, or hunter, it is crewed by Mauritanian sailors and carries German, Danish and British fishery experts. The Germans have also funded an on-board computerised information system for the N'madi.

The French government has agreed to provide a second patrol vessel and to finance two marine biologists to work in the CNROP for three years. It is also interested in contributing to the financing a shipyard and an enlargement of port facilities at Nouadhibou.

From July last year, at German and French insistence, the DCP assumed responsibility for co-ordinating maritime surveillance, managing navy, air force, customs and fishery patrols. Germany recently agreed to fund a marine biologist as an interface between the DCP and the CNROP, to improve the CNROP's grasp of fish stocks. Meanwhile, the French are requesting that the Mauritanian law requiring a minimum mesh size of 70 mm be more strictly enforced, that all boats display special numbers at least as prominent as their name and that there should be tighter monitoring of infringements and the collection and use of fines.

Mauritania still lacks the capacity significantly to add to the value of fish caught. This final piece in the jigsaw – investment in major on-shore processing plant – would become more likely should there be a relaxation of the investment climate climate in Mauritania and, in particular, Central Bank regulations for the release of hard currency. At the end of last year the Brussels-based Centre for Development and Industry held the first of a planned series of seminars to promote industrial partnerships in the fishing sector.

Investment of some $7.5m is needed to improve existing but basic on-shore fish processing plant, to bring it up to standards of hygiene now required by the EC, and to make new products such as fish blocks and fish fillets.

Mauritania's fish exports are expected to rise sharply in the coming year with West Africa seen as the most promising market for the pelagic catch. If Mauritanians themselves develop a taste for fingers, fillets and steaks, perhaps then the Moors may turn more of their attention to the sea.

## WORLD COMMODITIES PRICES

### MARKET REPORT

Sterling's weakness continued to carry the **COPPER** market higher at the London Metal Exchange. Prices ended higher in pound terms for the sixth successive trading day with cash metal closing at £1,537 a tonne, up £15.50 on the day and £114.50 from the level ruling just over a week ago. But virtually all of that rise reflected the currency factor. Dealers said an early rise on short-covering and options-related buying had taken the three months delivery price up to a resistance level between $2,400 and $2,500 a tonne. The subsequent fall had been cushioned by concern over the situation in Zaire, strike action in Mexico and a threatened strike in Chile, they said. Last business had three months metal at $2,235 a tonne, up $5 from Monday. **ZINC** prices surrendered some of the recent gains that had been prompted by production cut announcements. The three months price closed $13.25 down at $1,116.50 a tonne. Rising LME stocks and dollar strength kept **ALUMINIUM** under pressure.

Compiled from Reuters

### London Markets

SPOT MARKETS

| Crude oil (per barrel FOB)(Mar) | | + or - |
|---|---|---|
| Dubai | $15.78-5.82 | -0.25 |
| Brent Blend (dated) | $18.34-8.38 | -.305 |
| Brent Blend (Mar) | $18.24-8.28 | -.305 |
| W.T.I (1 pm est) | $19.95-20.00 | -0.25 |
| **Oil products** | | |
| (NWE prompt delivery per tonne CIF | | + or - |
| Premium Gasoline | $183-184 | |
| Gas Oil | $170-171 | -2 |
| Heavy Fuel Oil | $70-72 | -1 |
| Naphtha | $180-181 | -2.5 |
| Petroleum Argus Estimates | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $330.15 | +0.30 |
| Silver (per troy oz)♣ | 368.5c | +2.0 |
| Platinum (per troy oz) | $368.35 | -3.25 |
| Palladium (per troy oz) | $110.5 | +0.4 |
| Copper (US Producer) | 104.0c | |
| Lead (US Producer) | 33.5c | |
| Tin (Kuala Lumpur market) | 14.93r | -0.27 |
| Tin (New York) | 265.0c | -1.5 |
| Zinc (US Prime Western) | 62.0c | |
| Cattle (live weight)† | 119.45p | +3.20* |
| Sheep (live weight)†♣ | 95.81p | +1.71* |
| Pigs (live weight)† | 81.05p | +0.61* |
| London daily sugar (raw) | $210.7 | -2.1 |
| London daily sugar (white) | $258.8 | -0.2 |
| Tate and Lyle export price | £250.0 | -3.0 |
| Barley (English feed) | £138.0 | |
| Maize (US No. 3 yellow) | £165.0 | |
| Wheat (US Dark Northern) | Unq | |
| Rubber (Mar)♥ | 68.75p | -0.25 |
| Rubber (Apr)♥ | 69.00p | -0.25 |
| Rubber (KL RSS No 1 Feb) | 240.5m | -0.5 |
| Coconut oil (Philippines)§ | $480.0y | +7.5 |
| Palm Oil (Malaysian)§ | $417.5w | +7.5 |
| Copra (Philippines)§ | $285.0 | +5.0 |
| Soyabeans (US) | £181.0u | -1.5 |
| Cotton "A" index | 58.80c | |
| Wooltops (64s Super) | 400p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb/Apr. x-Aug. w-Feb/Mar z-Jan/Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago. provisional prices

SUGAR – London FOX ($ per tonne)

| Raw | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 181.00 | 186.00 | 185.00 | 179.00 |
| May | 189.00 | | 191.60 | 187.30 |
| **White** | **Close** | **Previous** | **High/Low** | |
| Mar | 250.50 | 251.80 | 252.50 | 249.10 |
| May | 252.20 | 253.80 | 254.00 | 251.40 |
| Oct | 241.00 | | 240.00 | 235.50 |

Turnover Raw 382 (0) lots of 50 tonnes. White 1626 (842) Paris- White (FFr per tonne): Mar 1430.42 May 1438.53

CRUDE OIL – IPE ($/barrel)

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 18.32 | 18.87 | 18.57 | 18.24 |
| Apr | 18.32 | 18.56 | 18.58 | 18.27 |
| May | 18.37 | 18.60 | 18.37 | 18.32 |
| Jun | 18.40 | 18.65 | [illegible] | 18.40 |
| Jul | 18.51 | 18.66 | 18.64 | 18.51 |
| IPE Index | 18.56 | 18.54 | | |

Turnover 25777 (30010)

GAS OIL – IPE ($/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 167.25 | 169.00 | 169.75 | 167.00 |
| Mar | 168.25 | 170.25 | 171.00 | 168.00 |
| Apr | 168.75 | 170.00 | 170.75 | 168.75 |
| May | 169.00 | 170.00 | 170.50 | 169.00 |
| Jun | 170.00 | 170.00 | 170.50 | 169.50 |
| Jul | 171.50 | 172.00 | 172.25 | 171.00 |
| Aug | 173.75 | 174.25 | 173.50 | |

Turnover 18678 (14402) lots of 100 tonnes

JUTE
February/March c and f Dundee BTC $380, BWC $380, BTD $325, BWD $340; c and f Antwerp BTC $340, BWC $340, BTD $315, BWD $315.

COTTON
Liverpool- Spot and shipment sales amounted to 129 tonnes for the week ended January 29, compared with 38 tonnes in the previous week. Improved demand brought moderate purchases mainly in central Asian and American descriptions. Spanish and Russian growths made some headway.

COCOA – London FOX (£/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 726 | 725 | 727 | 721 |
| May | 737 | 736 | 739 | 731 |
| Jul | 750 | 749 | 752-744 | |
| Sep | 762 | 761 | 765 | 756 |
| Dec | 782 | 780 | 785 | 776 |
| Mar | 803 | 800 | 807 | 799 |
| May | 818 | 814 | 818 | 814 |
| Jul | 832 | 828 | 830 | |
| Sep | 847 | 842 | 851 | 846 |
| Dec | 872 | | 871 | 860 |

Turnover: 4887 (4801) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 1 729.89 (713.44) 10 day average for Jan 29 749.86 (753.14)

COFFEE – London FOX ($/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 946 | 907 | 948 | 910 |
| May | 945 | 910 | 945 | 915 |
| Jul | 935 | 897 | [illegible] | 905 |
| Sep | [illegible] | 906 | 937 | 917 |
| Nov | 940 | 922 | 947 | |
| Jan | 960 | | 940 | |

Turnover:4436 (2568) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 1: Comp. daily 55.86 (54.72) 15 day average 57.11 (57.33)

POTATOES – London FOX (£/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 48.9 | 52.0 | 51.5 | 48.6 |
| May | 58.0 | 62.5 | 61.0 | 58.8 |
| Apr | 88.0 | | 87.0 | |

Turnover 283 (88) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 157.00 | 156.00 | 157.00 |

Turnover 25 (267) lots of 20 tonnes

FREIGHT – London FOX ($10/index point)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 1275 | 1270 | 1275 | |
| Mar | 1290 | 1285 | 1295 | 1290 |
| Apr | 1287 | 1290 | 1295 | 1287 |
| BFI | 1277 | 1277 | | |

Turnover 39 (113)

GRAINS – London FOX (£/tonne)

| Wheat | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 142.35 | 142.00 | 142.40 | 142.00 |
| May | 144.15 | 143.75 | 144.15 | 143.65 |
| Jun | 144.70 | 143.50 | 144.70 | 144.00 |
| Sep | 111.25 | 111.50 | 111.25 | 111.25 |
| Nov | 113.50 | 113.50 | 113.60 | 113.40 |
| **Barley** | **Close** | **Previous** | **High/Low** | |
| Mar | 137.00 | 137.25 | 137.50 | |
| May | 138.00 | 137.75 | 138.00 | |

Turnover: Wheat 322 (285), Barley 100 (149). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 106.0 | | 105.5 | |
| Jun | 105.0 | | 105.5 | 105.0 |

Turnover:19 (11) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 22,578 lots |
| Cash | 1192-3 | 1194.5-5.5 | 1192.5 | 1193-3.5 | | |
| 3 months | 1214-5 | 1215.5-6 | 1216/1210 | 1214.5-5 | 1211-2 | 163,233 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Total daily turnover 38,574 lots |
| Cash | 1536.5-7.5 | 1521-2 | 1518.5 | 1519-9.5 | | |
| 3 months | 1559-9.5 | 1541.5-2 | 1560/1535 | 1541.5-2 | 1557-8 | 168,464 lots |
| **Lead (£ per tonne)** | | | | | | Total daily turnover 6,850 lots |
| Cash | 288.5-9.5 | 286.5-6.5 | [illegible]/283.5 | 284.5-5 | | |
| 3 months | 298-9 | 295-5.5 | 300/294 | 294.5-5 | 298.5-9 | 18,461 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 7,171 lots |
| Cash | 5760-5 | 5765-75 | 5765/5754 | 5755-6 | | |
| 3 months | 5845-50 | 5835-40 | 5860/5790 | 5820-5 | 5855-60 | 43,309 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 2,586 lots |
| Cash | 5710-20 | 5725-35 | 5715/5700 | 5695-705 | | |
| 3 months | 5770-80 | 5785-90 | 5830/5745 | 5755-60 | 5760-90 | 8,705 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 13,663 lots |
| Cash | 1097.5-8.5 | 1111-2 | 1089.5 | 1089.5-100 | | |
| 3 months | 1116-7 | 1129.5-30 | 1125/1112 | 1115-20 | 1118-8.5 | 69,425 lots |

LME Closing £/$ rate: SPOT: 1.4460 3 months: 1.4350 6 months: 1.4280 9 months: 1.4225

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

| Gold (troy oz) | $ price | £ equivalent |
|---|---|---|
| Close | 330.00-330.30 | |
| Opening | 329.80-330.30 | |
| Morning fix | 329.35 | 224.599 |
| Afternoon fix | 328.65 | 228.875 |
| Day's high | 330.00-330.30 | |
| Day's low | 329.00-329.30 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 1.81 | 6 months | 2.07 |
| 2 months | 1.83 | 12 months | 2.18 |
| 3 months | [illegible] | | |

| Silver fix | p/troy oz | US cts equiv |
|---|---|---|
| Spot | 250.85 | 365.85 |
| 3 months | 254.35 | 369.60 |
| 6 months | 257.65 | 372.50 |
| 12 months | 264.60 | 379.70 |

GOLD COINS

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 328.00-331.00 | 224.00-227.00 |
| Maple leaf | 339.35-341.55 | - |
| New Sovereign | 78.00-81.00 | 53.00-57.00 |

TRADED OPTIONS

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Mar | Jun | Mar | Jun |
| 1200 | 20 | 51 | 16 | 25 |
| 1225 | 10 | 38 | 31 | 38 |
| 1250 | 4 | 27 | 50 | 50 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2200 | 53 | 83 | 21 | 51 |
| 2250 | 28 | 58 | 44 | 75 |
| 2300 | 11 | 38 | 79 | 105 |
| **Brent Crude** | **Mar** | **Apr** | **Mar** | **Apr** |
| 1800 | 42 | - | 5 | - |
| 1850 | 13 | 53 | 22 | 56 |
| 1900 | 3 | 32 | 51 | 85 |

### New York

GOLD 100 troy oz.; $/troy oz.

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 330.4 | 330.3 | 330.2 | 329.6 |
| Mar | 330.2 | 330.4 | 331.1 | 331.1 |
| Apr | 330.6 | 330.7 | 331.1 | 330.0 |
| Jun | 331.6 | 331.9 | 332.3 | 331.2 |
| Aug | 333.2 | 333.3 | 333.7 | 332.9 |
| Oct | 334.7 | 334.8 | 334.8 | 334.6 |
| Dec | 336.3 | 336.3 | 336.3 | 336.3 |
| Feb | 337.9 | 338.0 | 338.5 | 338.3 |
| Apr | 339.7 | 339.6 | 0 | 0 |

PLATINUM 50 troy oz; $/troy oz.

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 360.3 | 362.1 | 361.0 | 357.5 |
| Jul | 357.3 | 358.9 | 358.8 | 356.0 |
| Oct | 355.3 | 358.9 | 0 | 0 |
| Jan | 353.8 | 355.4 | 0 | 0 |

SILVER 5,000 troy oz; cents/troy oz.

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 366.4 | 366.7 | 0 | 0 |
| Mar | 367.2 | 367.5 | [illegible] | 365.5 |
| May | 369.7 | 369.9 | 371.5 | 368.5 |
| Jul | 371.9 | 372.1 | 373.5 | 371.0 |
| Sep | 374.3 | 374.5 | 0 | 0 |
| Dec | 378.1 | 378.3 | 379.5 | 376.0 |
| Jan | 379.1 | 379.3 | 0 | 0 |
| Mar | 382.5 | 382.7 | 384.0 | [illegible] |
| May | 385.4 | 385.6 | 0 | 0 |
| Jul | 388.5 | 388.7 | 0 | 0 |

HIGH GRADE COPPER 25,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 98.75 | 98.50 | 99.40 | 98.70 |
| Mar | 99.20 | 98.95 | 99.70 | 99.00 |
| Apr | 99.60 | 99.20 | 99.55 | 99.55 |
| May | 99.75 | 99.45 | 100.20 | 98.80 |
| Jun | 99.95 | 99.65 | 0 | 0 |
| Jul | 100.20 | 99.85 | 100.60 | 99.90 |
| Aug | 100.40 | 100.10 | 0 | 0 |
| Sep | 100.55 | 100.25 | 100.95 | 100.60 |

CRUDE OIL (Light) 42,000 US galls $/barrel

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 19.99 | 20.31 | 20.34 | 19.93 |
| Apr | 20.04 | 20.32 | 20.34 | 20.00 |
| May | 20.08 | 20.35 | 20.36 | 20.04 |
| Jun | 20.12 | 20.38 | 20.40 | 20.08 |
| Jul | 20.13 | 20.41 | [illegible] | 20.13 |
| Aug | 20.21 | 20.44 | 20.38 | 20.17 |
| Sep | 20.25 | 20.47 | 20.50 | 20.23 |
| Oct | 20.27 | 20.49 | 20.42 | 20.24 |
| Nov | 20.27 | 20.49 | 20.40 | 20.25 |
| Dec | 20.30 | 20.48 | 20.47 | 20.27 |

HEATING OIL 42,000 US galls, cents/US galls

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 55.85 | 56.73 | 57.05 | 55.65 |
| Apr | [illegible] | 56.60 | 56.95 | [illegible] |
| May | 55.50 | 56.24 | 56.40 | 55.35 |
| Jun | 55.30 | 56.04 | 56.15 | 55.20 |
| Jul | 55.50 | 56.10 | 56.15 | 55.40 |
| Aug | 56.15 | 56.74 | 56.60 | 56.30 |
| Sep | 57.30 | 57.84 | 57.70 | 57.46 |
| Oct | 58.45 | 58.84 | 58.70 | 58.45 |
| Nov | 59.00 | 59.64 | 59.30 | 59.00 |
| Dec | 59.80 | 60.44 | 60.75 | 59.80 |

COCOA 10 tonnes;$/tonnes

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 914 | 920 | 922 | 909 |
| May | 942 | 949 | 950 | 939 |
| Jul | 968 | 978 | 978 | 967 |
| Sep | 993 | 1003 | 1004 | 995 |
| Dec | 1027 | 1037 | 1042 | 1032 |
| Mar | 1062 | 1072 | 1074 | 1057 |
| May | 1083 | 1093 | 1093 | 1092 |
| Jul | 1103 | 1113 | 1112 | 1112 |
| Sep | 1130 | 1140 | 1140 | 1129 |
| Dec | 1167 | 1177 | 1184 | 1158 |

COFFEE "C" 37,500lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 63.35 | 60.95 | 65.20 | 61.00 |
| May | 69.15 | 66.55 | 70.65 | 67.05 |
| Jul | 71.20 | 68.35 | 72.30 | 69.00 |
| Sep | 72.75 | 70.10 | 74.40 | 71.00 |
| Dec | 75.25 | 72.90 | 77.30 | 73.90 |
| Mar | 77.90 | 75.35 | 79.00 | 76.50 |
| May | 80.00 | 77.50 | 0 | 0 |

SUGAR WORLD "11" 112,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 8.04 | 8.25 | 8.22 | 7.98 |
| May | 8.40 | 8.50 | 8.49 | 8.35 |
| Jul | 8.58 | 8.64 | 8.65 | 8.51 |
| Oct | 8.48 | 8.56 | 8.55 | 8.41 |
| Mar | 8.55 | 8.61 | 8.55 | 8.62 |
| May | 8.59 | 8.64 | 8.66 | 8.65 |
| Jul | 8.73 | 0 | 0 | 0 |

COTTON 50,000; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 59.78 | 59.20 | 60.35 | 58.30 |
| May | 60.44 | 60.03 | 60.94 | 60.05 |
| Jul | 61.38 | 61.05 | 61.75 | 61.05 |
| Oct | 61.25 | 60.60 | 61.30 | 60.80 |
| Dec | 60.25 | 59.70 | 60.40 | 59.75 |
| Mar | 60.85 | 60.40 | 0 | 0 |
| May | 61.30 | 60.85 | 0 | 0 |

ORANGE JUICE 15,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 69.00 | 68.30 | 69.30 | 67.40 |
| May | 72.70 | 71.90 | 72.70 | 70.75 |
| Jul | 75.05 | 75.00 | 75.40 | 73.75 |
| Sep | 77.00 | 77.30 | 77.75 | 77.00 |
| Nov | 80.35 | 80.05 | 80.60 | 79.95 |
| Jan | 83.35 | 83.35 | 84.00 | 83.15 |
| Mar | 85.55 | 85.80 | 86.00 | 85.50 |
| May | 85.55 | 86.80 | 0 | 0 |
| Jul | 85.55 | 86.80 | 0 | 0 |

INDICES

REUTERS (Base:September 18 1931 = 100)

| Feb 2 | Feb 1 | mnth ago | yr ago |
|---|---|---|---|
| 1726.6 | 1717.7 | 1710.0 | 1588.0 |

DOW JONES (Base: Dec. 31 1974 = 100)

| | Feb 1 | Jan 29 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 121.21 | 121.67 | 121.67 | 117.04 |
| Futures | 122.17 | 121.35 | 120.16 | 121.94 |

### Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 572/0 | 573/2 | 574/2 | 569/4 |
| May | 575/2 | 575/4 | 578/4 | 572/2 |
| Jul | 579/4 | 580/0 | 581/0 | 576/6 |
| Aug | 580/6 | 581/0 | 582/4 | 579/2 |
| Sep | 581/2 | 580/0 | 583/0 | 578/0 |
| Nov | 587/4 | 587/6 | 589/0 | 584/6 |
| Jan | 594/4 | 594/4 | 596/0 | 592/4 |

SOYABEAN OIL 60,000 lbs; cents/lb

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 20.92 | 21.00 | 21.06 | 20.75 |
| May | 21.12 | 21.22 | 21.30 | 21.00 |
| Jul | 21.32 | 21.43 | 21.48 | 21.20 |
| Aug | 21.38 | 21.49 | 21.41 | 21.26 |
| Sep | 21.40 | 21.60 | 21.55 | 21.32 |
| Oct | 21.42 | 21.50 | 21.45 | 21.35 |
| Dec | 21.56 | 21.62 | 21.67 | 21.40 |
| Jan | 21.60 | 21.65 | 21.65 | 21.55 |

SOYABEAN MEAL 100 tons, $/ton

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 179.2 | 179.8 | 180.2 | 178.7 |
| May | 179.9 | 180.6 | 180.6 | 179.1 |
| Jul | 181.5 | 181.8 | 182.0 | 180.7 |
| Aug | 182.3 | 182.5 | 182.7 | 181.8 |
| Sep | 183.2 | 183.4 | 183.8 | 182.7 |
| Oct | 184.5 | 185.0 | 184.8 | 184.0 |
| Dec | 186.4 | 186.7 | 186.7 | 185.8 |
| Jan | 186.8 | 187.1 | 187.0 | 186.5 |

MAIZE 5,000 bu min; cents/56lb bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 212/6 | 213/4 | 214/4 | 212/4 |
| May | 220/6 | 221/4 | 222/2 | 220/4 |
| Jul | 228/2 | 229/0 | 229/6 | 226/0 |
| Sep | 234/6 | 235/6 | 236/0 | 234/4 |
| Dec | 241/4 | 242/2 | 242/4 | 240/6 |

WHEAT 5,000 bu min, cents/60lb-bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 373/2 | 379/2 | 380/4 | 370/0 |
| May | 345/4 | 350/6 | 351/4 | 344/4 |
| Jul | 324/0 | 329/4 | 330/0 | 322/4 |
| Sep | 327/4 | 332/0 | 332/0 | 325/4 |
| Dec | 334/2 | 339/0 | 338/6 | 333/2 |

LIVE CATTLE 40,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 79.425 | 78.250 | 79.650 | 78.550 |
| Apr | 78.125 | 77.300 | 78.350 | 77.600 |
| Jun | 72.850 | 72.525 | 73.275 | 72.600 |
| Aug | 70.875 | 70.875 | 71.175 | 70.650 |
| Oct | 71.850 | 71.475 | 72.150 | 71.600 |
| Dec | 72.300 | 71.925 | 72.400 | 72.100 |

LIVE HOGS 40,000 lb; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 43.625 | 43.600 | 43.950 | 43.575 |
| Apr | 43.450 | 43.700 | 43.850 | 43.375 |
| Jun | 48.200 | 48.350 | 48.600 | 48.150 |
| Jul | 47.625 | 47.700 | 47.750 | 47.500 |
| Aug | 45.450 | 45.525 | 45.750 | 45.350 |
| Oct | 41.425 | 41.450 | 41.600 | 41.400 |
| Dec | 42.600 | 42.450 | 42.600 | 42.550 |

PORK BELLIES 40,000 lbs; cents/lb

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 34.725 | 35.625 | 35.800 | 34.575 |
| Mar | 35.475 | 36.350 | 36.600 | 35.300 |
| May | 35.775 | 37.475 | 37.700 | 35.600 |
| Jul | 37.250 | 37.650 | 38.200 | 37.200 |
| Aug | 36.300 | 36.900 | 37.050 | 36.175 |

LONDON STOCK EXCHANGE

# Optimism on base rates turns cooler

By Terry Byland, UK Stock Market Editor

INVESTORS IN the London stock market yesterday paid closer attention to the rejections from Mr John Major, the British prime minister, of rumours that another early cut in domestic interest rates is on the cards. Caution over the near-term outlook for UK base rates was enhanced by trends in sterling futures and, at first, by firmness in cash sterling; a late dip in the sterling exchange rate had little immediate effect on equities.

However, share prices opened firmly and only the continued weakness in pharmaceutical issues restrained the FT-SE 100 Index from reaching for a new peak in early trading. The day's high on the index of 2,859.7 was soon lost as the cooling of base rate hopes left the share gains of the previous session vulnerable to profit-taking. By the close, the FT-SE 100 was at 2,834.4 for a net fall of 17.2.

Trading volume remained high, with the non-Footsie stocks continuing to attract interest; deals in the non-Footsie issues made up about 63 per cent of the day's Seaq total of 854.5m shares. Monday's customer, or retail, business was worth £1.27bn on a Seaq total of 793.4m shares.

Heavy US selling of drug industry stocks was a significant feature. In addition to underlying uncertainties over possible changes to medical funding by the new US president, suggestions that Glaxo could surface in the list of rights issue prospects, known to be hovering in the wings of the London stock market overshadowed the sector.

Profit-taking in market sectors which have stood out strongly this week, notably the banks, aerospace and building materials groups, was modest.

Stores issues, although also marked for profit-taking, rebounded when early falls took the sector relative below market tolerance.

Construction and contracting shares, which have consistently outperformed as the stock market has been gripped by hopes for economic recovery and base rate cuts, extended their gains yesterday.

The fall in the market yesterday of less than half of Monday's gain appeared to underline scepticism in the City of London over the apparent uncertainty in official policies over base rate policies. Having been taken completely unawares by last week's one percentage-point reduction in domestic interest rates, most analysts have now reverted to the belief that a further cut in rates will have to wait six weeks, until the March Budget.

The cooler tone of the stock market allowed rights issue fears to reappear. Most of the names suggested were the old favourites, but many securities houses were braced for a heavy call on funds.

However, the institutions are believed to be keener to put cash into the market by way of rights issues than by straightforward investment through the equity market.

For the medium-term outlook, investment strategists continue to balance prospects between prospective returns on government bonds and equities.

Goldman Sachs, the US investment bank, warned that while UK share prices will be buoyed this year by economic recovery, equity weightings of UK pension funds will fall gradually over the next few years. Any substantial fall in pension fund equity holdings would significantly hurt share prices, comments the US bank.

## TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

## Account Dealing Dates

| | | |
|---|---|---|
| *First Dealings: | | |
| Jan 18 | Feb 1 | Feb 15 |
| Option Declarations: | | |
| Jan 28 | Feb 11 | Feb 25 |
| Last Dealings: | | |
| Jan 29 | Feb 12 | Feb 26 |
| Account Day: | | |
| Feb 8 | Feb 22 | Mar 8 |

*New time dealings may take place from 8.30am two business days earlier.

# US threat to drug stocks

STOCKS IN the international drug industry companies, particularly Glaxo and Wellcome, suffered selling pressure in London ahead of a press conference to be held today in Washington. The conference will highlight a report which claims that pledges by drug companies to contain drug costs have gone unfulfilled.

It will be hosted by Senator David Pryor, an established critic of the drugs industry and a Democrat who is believed to have the ear of the president. It is expected to add further weight to President Clinton's promise to review the industry. Also, Salomon Brothers removed several US drug companies from its buy list.

Glaxo dropped 23 to 655p on very heavy turnover of 9.8m shares. Wellcome weakened by the same amount to 853p and SmithKline Beecham lost 15 at 482p in the "A"s and 18 at 420p in the Units.

## Gas placing

The placing by a leading UK securities house of a block of 5.9m British Gas shares at 286p brought significant pressure on the shares, which closed a net 7¼ off at 284p. The Seaq ticker revealed that the share block had been purchased at 285p before being sold on.

Turnover in Gas reached 14m shares, the highest single day's business in the stock since mid-December when Ofgas chairman Mr James McKinnon called for the group to be broken up.

It was thought that the block of Gas shares had been sold into the market and the proceeds switched into other utilities, notably the regional electricity stocks (recs).

The "recs" were badly mauled after last week's report from the Trade and Industry Committee on energy policy which called for the electricity distribution review to be brought forward and for a reduction in the "recs" returns on capital.

Among the best performers in the "recs" were Seeboard, 6 higher at 452p, and Eastern, 2 firmer at 413p.

## Granada hint

An institutional visit by Granada moved the shares smartly forward, adding to speculation that the television and leisure group is again considering an acquisition. Granada has made little secret of its desire to buy a cash-generative company and rumours have hinted at Compass, the catering group, as a potential target. Compass shares have been strong performers in recent weeks, yesterday climbing 6 before falling back to 594p, up a penny on the day. Granada rose 11 to 359p.

Mr Gerry Robinson, Granada's chief executive, formerly ran Compass, and confirmed his continuing interest in the catering industry by admitting Granada was looking at Gardner Merchant, the catering subsidiary of Forte which was eventually sold to management in a £400m deal.

The market also focused on the share price following an announcement that Reed International is to offer its 3.66 per cent stake in BSkyB to big shareholders Granada, Chargeurs and Financial Times owner Pearson. The news means that the Reed stake and, consequently, the whole of BSkyB would receive the stock market valuation which it at present lacks. Reed shed 3 to 666p and Pearson 14 to 370p.

## Stakis deal

Institutional support for the Stakis recovery story was again in evidence yesterday, with a large placing of family shares being quickly taken up by large investors. The 21m shares on offer were the ones due to the Stakis family as a result of last week's three-for-one rights issue. They were placed by Smith New Court in the nil-paid form at 9¾p. The fully-paid closed steady at 44p and the nil-paid a halfpenny off at 10½p. As a result of the sale, the family holding will fall from around 24 per cent to 19 per cent.

News of a strike at its US coal subsidiary Peabody led to early nervousness over Hanson shares yesterday. The stock was weak in the US and 3 lower in the UK at one stage. However, Goldman Sachs argued that the strike affected less than 7 per cent of Hanson's earnings and the US investment bank advised clients to switch into the stock from international conglomerate BTR.

Mr Gavin Launder at Goldman Sachs said: "Hanson offers better exposure to the US recovery market than BTR, and a better yield at a substantially lower rating." Hanson shares closed only a halfpenny easier at 257p on heavy turnover of 11m while BTR, which was also hit by vague talk of a rights issue, fell 5 to 553p, in trade of 4.3m.

The upsurge in market activity since the turn of the year triggered further keen support for the merchant banks with significant market share. Against the overall trend SG Warburg added 15 to 615p and Kleinwort Benson 3 to 355p.

Confirmation that the recent burst of US buying of BP had boosted the US holding in the oil company to 23.1 per cent led to periodic bouts of short covering in London. This, plus more defensive buying of the shares by UK institutions anxious not to be underweight in the stock, drove BP shares up 3 to 257p with turnover reaching 12m. Shell suffered from switching into BP, and closed off 4 at 569p on 4.1m traded.

The recent big increase in turnover of Premier Consolidated continued with more than 15m shares changing hands and the stock edging up ¼ to 29¼p.

Weakness in Vodafone shares, triggered by worries about competition from Mercury PCN, scheduled to start up in the middle of the year, and a scare story hinting at links between cellular phones and brain cancer, was brought to an end as Vodafone stock jumped 11 to 390p.

ICI rose 4 to 1150p on currency considerations and news of a joint venture for its titanium dioxide unit.

However, some big dollar earners saw profit-taking following sharp rises. Reuters fell 19 to 1404p and BAT Industries 5 to 973p.

Pharmaceuticals and scientific equipment group Fisons rose sharply in early trading as Credit Lyonnais Laing recommended the stock as a short- to medium-term buy. There was also a return of bid speculation. However, gains were trimmed later. From being 10 points up, the shares closed a net 5 better at 224p.

Shares in Alexon continued to be buoyed by rumours of a predator. Most prominent among potential suitors has been Next, but company sources denied this, as did Country Casuals. Alexon said no approaches had been received. Its shares jumped 18 per cent to 88p. Next slipped 3 to 140½p, and Country Casuals held steady at 177p.

Marks and Spencer were bought as the stores sector dipped below a significant technical resistance level. The shares added 7½ to 325½p. Dixons rose 3 to 226p on the replacement of the head of its US subsidiary, Silo. Two blocks of 10m Laura Ashley shares went through the market at 78½p and 79p. The shares closed off 2 at 80p.

Another poor performance by Invergordon shares increased speculation that White & Mackay may consider a renewed bid for the whisky distiller. US-owned White still holds a 41.3 per cent stake in Invergordon and has never discounted returning to the fray. Invergordon shares have now underperformed the market by 20 per cent this year and at yesterday's close – off 12 at 252p – were 25 below White & Mackay's final offer price.

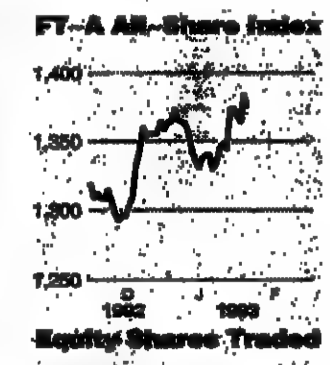
Profit-takers were out in force in Rolls-Royce and turnover jumped to 11m as the shares eased 3 to 130p. Talk of further profit downgrades in TI Group left the shares 6 lighter at 297p.

Shares in BBA added 3 to 178p, with UBS Phillips & Drew said to have shown a keen interest. IMI hardened 2 to 264p, after ending talks to acquire a subsidiary of Gebrueder Sulzer of Switzerland.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Peter John,
Steve Thompson.

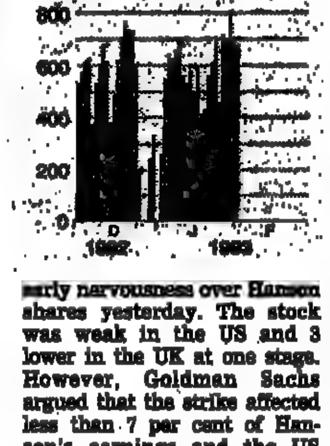
■ Other market statistics, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



## NEW HIGHS AND LOWS FOR 1992/93

NEW LOWS (11).
CANADIANS (3) Brascan, Hh. Assr, Tks, BREWERS (1) Invergordon, ELECTRONICS (3) Cranbrook, EIT, INSCE BROKERS (1) Crial, MISC (1) Rexopur, OTHER FINCL (1) Cambridge, PROP (1) Olives, TEXTS (2) Cupid, Gabisol.

## FINANCIAL TIMES EQUITY INDICES

| | Feb 2 | Feb 1 | Jan 29 | Jan 28 | Jan 27 | Year ago | High | Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 2195.7 | 2207.5 | 2177.3 | 2184.8 | 2187.0 | 1978.7 | 2209.9 | 1670.0 |
| Ord. div. yield | 4.32 | 4.29 | 4.35 | 4.33 | 4.32 | 4.61 | 5.34 | 4.23 |
| Earning yld % full | 5.88 | 5.84 | 5.97 | 5.95 | 5.93 | 6.92 | - | - |
| P/E ratio net | 21.60 | 21.69 | 21.35 | 21.43 | 21.51 | 18.16 | 21.99 | 15.79 |
| P/E ratio nil | 20.01 | 20.13 | 19.72 | 19.80 | 19.87 | 17.14 | - | - |
| Gold Mines | 79.9 | 76.3 | 74.7 | 69.3 | 67.5 | 145.1 | 190.6 | 60.0 |

Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

| Volume | Feb 2 | Feb 1 | Jan 29 | Jan 28 | Jan 27 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 35,604 | 39,006 | 36,852 | 35,017 | 38,362 | 29,809 |
| Equity Turnover(£m)† | - | 1256.5 | 1506.2 | 1448.2 | 1482.3 | 811.20 |
| Equity Bargains† | - | 38,134 | 40,859 | 41,409 | 43,043 | 28,355 |
| Shares traded (ml)† | - | 661.2 | 706.3 | 793.8 | 694.6 | 382.3 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

## FT-SE Actuaries Share Indices — THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|---|---|---|
| 2834.4 −17.2 | 2995.3 +6.5 | 1378.96 −5.48 |

## LONDON SHARE SERVICE

BRITISH FUNDS

Continued on next page

## EQUITY FUTURES AND OPTIONS TRADING

THE DERIVATIVES market ran out of steam yesterday, recording a dull session following the strong buying seen on Monday, writes Joel Kibazo.

In stock index futures, the FT-SE contract for March delivery opened at 2,868 and was squeezed forward in the first half-hour of trading to 2,873. However, the early enthusiasm dried up, leaving the contract to drift lower.

The downward slide briefly gathered momentum when an erroneous news agency report suggested that base rates were to be lifted to 7 per cent today. The poor performance of short sterling and initial weakness in gilts dampened the mood further.

The afternoon was dull, with a poor performance on Wall Street serving only to encourage the usual buyers to remain on the sidelines. March ended at 2,837, a fall of 33 from Monday's close and at a two-point premium to the underlying cash market, which it had earlier helped to pull lower. Traders said the closing turnover of 13,297 lots mainly reflected basket trading.

The traded options sector was equally lacklustre, with turnover reaching a meagre 24,923 contracts, against Monday's 51,866. The FT-SE 100 option traded 6,746 lots, while the Euro FT-SE 100 option saw business of only 425 contracts.

Among the stock options, British Steel was the busiest at 2,955, with the October 60 puts the most active. It was followed by Dixons at 2,343 lots.



مكتبة الأصل

## LONDON SHARE SERVICE

### AMERICANS

| | Notes | Price £ | + or - | 1992/93 high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Abbott Labs | b | 18⅝xd | -⅛ | 21¼ | 14⅝ | 15,587 | 2.0 |
| Allegheny & W | ♥ | 491p | +59 | 491p | 229p | 298.2 | 3.9 |
| Amdahl | | 577p | -6 | †1169p | 435p | 648.8 | 1.1 |
| Amer Cyanamid | | 38⅛ | — | 39⅝ | 28⅜ | 3,280 | 2.8 |
| [illegible] | | 16⅞xd | +⅛ | 16¾ | 10⅛ | 7,976 | 3.8 |
| Amer T & T | | 38⅞xd | +⅜ | 38⅞ | 20⅛ | 49,955 | 2.3 |
| Ameritech | | 50⅛ | +⅛ | 58⅛ | 32½ | 21,945 | 4.6 |
| BankAmerica | | 38½xd | +⅛ | 38½ | 19¾ | 12,576 | 2.4 |
| Bankers NY | | 45⅞xd | -⅛ | 45⅞ | 28⅜ | [illegible] | 4.3 |
| Bell Atlantic | | 36⅛ | +⅛ | 36⅛ | 23⅛ | 15,638 | 4.5 |
| BellSouth | | 38¼ | +⅛ | 38¾ | 25 | 17,853 | 4.9 |
| Bethlehem Steel | ♥ | 12⅛xd | -⅛ | 12⅞ | 5⅛ | 1,125 | - |
| Bowater | | 1533pxd | +100 | 1637p | 905p | 565.6 | 4.9 |
| CPC | b | 32⅛xd | — | 34 | 22⅛ | 4,895 | 2.4 |
| [illegible] | ♥ | 118p | — | 342p | 108p | - | - |
| California Engy | | 1417p | +61 | 1417p | 591p | 258.0 | - |
| [illegible] | | 29½xd | — | 29½ | 9⅛ | 3,150 | 3.7 |
| Chrysler | | 29½xd | -⅛ | 29⅝ | 8⅛ | 7,780 | 1.4 |
| Citicorp | | 17⅝xd | — | 17⅝ | 5⅛ | 6,442 | - |
| [illegible] | | 38¼xd | -⅛ | 43⅛ | 35¼ | 6,187 | 2.0 |
| [illegible] | | 1645p | +41 | 1645p | 499p | 1,682 | 2.3 |
| Dana | | 32⅛xd | +⅛ | 32⅛ | 14⅛ | 1,487 | 3.1 |
| Data General | | 618p | +42 | 1004p | 384p | 225.7 | - |
| Decora Inds | ♥ | 146p | — | 146p | 66p | - | - |
| Dun & Brad | | 39⅝ | +⅛ | 49½ | 27⅝ | 7,080 | 3.6 |
| Eaton | | 64⅛ | — | 64½ | 32½ | 1,876 | 2.6 |
| Echlin | | 17⅞xd | +⅛ | 17⅞ | 7⅝ | 1,006 | 2.5 |
| FPL | | 25⅞xd | -⅛ | 25⅝ | 17⅞ | 4,644 | 6.1 |
| Ford Motor | | 32⅛xd | +⅛ | 32⅛ | 15 | 16,680 | 2.0 |
| [illegible] | | 58⅞xd | -⅛ | 69⅛ | 36⅛ | 50,228 | 2.7 |
| General Host | ♥ | 648p | +8 | 648p | 380p | - | 3.5 |
| Gillette | | 37⅞xd | +1⅛ | 40 | 23⅞ | 8,226 | 1.2 |
| Hasbro | | 20⅞ | — | 23½ | 12⅛ | 1,815 | 0.6 |

### BUILDING MATERIALS - Cont.

Tilbury; Travis Perkins; Tudor; Unigroup; Waterhouse; Wickes; Wolseley

### BUSINESS SERVICES

ADT $; Adam & Harvey; Air London; African Lakes; Auto'ted Sec; BET; BNB Res; BPP; Barbour Index; Bossfield; Bridgend; Brit Data Man; Brooks Service; CRT; Capita; Caslon; Chiltern Capital; Christie Group; Chubb Security; Cooper

### CANADIANS

### BANKS

### BREWERS & DISTILLERS

### BUILDING MATERIALS

### CHEMICALS

### CONGLOMERATES

### CONTRACTING & CONSTRUCTION

### ELECTRICALS

### ELECTRICITY

### ELECTRONICS

### ENGINEERING-AEROSPACE

### ENGINEERING-GENERAL

### ENGINEERING-GENERAL - Cont.

### FOOD MANUFACTURING

### FOOD RETAILING

### HEALTH & HOUSEHOLD

### HOTELS & LEISURE

### HOTELS & LEISURE - Cont.

### INSURANCE BROKERS

### INSURANCE COMPOSITE

### INSURANCE LIFE

### INVESTMENT TRUSTS

### INVESTMENT TRUSTS - Cont.

## INVESTMENT TRUSTS - Cont.

| | Notes | Price | + or - | 1992/93 high | low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| Scottish Inv | ♣□ | 185 | +½ | 188 | 147 | 3.2 | 227.4 | 14.7 |
| Warrants | □ | 42 | — | 43 | 21 | – | – | – |
| Scot Mortgage | ♣†□ | 181 | +1 | 191 | 135 | 2.7 | 219.4 | 13.2 |
| Scot National Inc | ♣K□ | 94½ | -½ | 107 | 65¾ | 10.6 | – | – |
| Cap | □ | 21 | — | 42 | 12½ | – | 54.7 | 61.6 |
| Stepped Pf | | 154 | — | 155½ | 126 | 5.3 | – | – |
| Zero Div Pf | | 218½ | -½ | 222 | 166½ | – | – | – |
| Warrants | | 4 | — | 9 | 3 | – | – | – |
| Scot Value | †a | 74½ | +1 | 74½ | 48 | 3.2 | 71.2 | -4.3 |
| Sec Alliance | ♣ | 1427 | +4 | 1433 | 1085 | 3.4 | 1597.3 | 10.7 |
| Second Consid | □ | 96 | — | 108 | 88 | – | 190.5 | 49.6 |
| Second Market | s | 278 | — | 278 | 222 | 0.7 | 322.1 | 14.5 |
| Sec Tst Scot | ♣□ | 78 | — | 78½ | 61 | 8.5 | 82.2 | 3.9 |
| Select Assets | | 117 | — | 117 | 78½ | 1.4 | 165.2 | 29.5 |
| Eq Ind Serf | | 132 | — | 132 | 108 | 4.3 | – | – |
| Eq Ind Serl | | 132 | — | 132 | 108 | 4.3 | – | – |
| SHIRESCOT | sK | 117 | — | 117 | 98 | 6.9 | 114.8 | -2.1 |
| Shires | ♣ | 250 | — | 250 | 188 | 8.8 | 238.0 | -4.6 |
| 11pc Cv Ln '03/04 | | £120½ | — | £120½ | 295½ | 9.1 | – | – |
| Slam Select | | 120 | — | 120 | 68 | 0.3 | 153.5 | 22.1 |
| Warrants | | 26 | — | 28 | 10 | – | – | – |
| Smaller Cos | □ | 95 | +1 | 96 | 66 | 2.5 | 98.2 | -3.0 |
| Warrants | | 23 | — | 23 | 10 | – | – | – |
| Sphere Inc | N□ | 16½xd | — | 28 | 9½ | 25.1 | 28.7 | 42.4 |
| Zero Div Pf | | 84¾ | — | 84¾ | 63¾ | – | – | – |
| SumIt | | 40 | — | 65 | 30 | 4.2 | 93.4 | 57.2 |
| TR City of Lon | □ | 133 | +½ | 133 | 87½ | 4.8 | 126.7 | -5.0 |
| TR Euro Growth | ♣□ | 88 | +1 | 90 | 70 | 2.1 | 103.0 | 16.5 |
| Ptg Sub | | 27 | — | 54 | 27 | 6.7 | – | – |
| TR Far East Inc | ♣†□ | 127 | +1 | 127 | 78 | 4.8 | 129.6 | 2.5 |
| Warrants | | 27 | — | 27½ | 12 | – | – | – |
| TR High Inc | | 114 | +2 | 114 | 91 | 7.9 | 108.9 | -4.2 |
| Sub | | 27 | +1 | 35 | 21 | 7.4 | – | – |
| TR Pacific | ♣□ | 126 | — | 126 | 70 | 0.3 | 128.4 | -2.2 |
| TR Prop | ♣□ | 21 | — | 27 | 14½ | ‡ | 26.5 | 25.9 |

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

## MERCHANT BANKS

| | Notes | Price | + or - | 1992/93 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Barings 8pc Cn 2nd Pf | | 101½ | -½ | [illegible] | [illegible] | 12.7 | 10.5 | – |
| 9¾pc Non-Cum Pf | | 118½ | +½ | 125 | [illegible] | 47.8 | 10.9 | – |
| Close Bros | | [illegible] | — | [illegible] | 205 | 110.8 | 4.4 | 12.8 |
| Hambros | ♣□ | 291 | +1 | [illegible] | 202 | 684.3 | 6.3 | 12.9 |
| 7½pc Cv Pf | | 131 | -½ | 134 | [illegible] | [illegible] | 7.6 | – |
| Joseph (L) | | [illegible] | — | [illegible] | [illegible] | [illegible] | 6.0 | – |
| Kleinwort Benson | □ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 6.0 | 31.2 |
| Rea Bros | ♣□ | 45 | — | 45 | 25 | 17.6 | 1.5 | – |
| Schroders | ♣† | 1485 | — | 1485 | [illegible] | [illegible] | 1.6 | 17.3 |
| NV | † | 1280 | — | 1280 | 883 | 177.9 | 1.9 | 14.9 |
| Singer & Fried | ♣□ | 58½ | — | 59 | 34 | [illegible] | 5.9 | 12.4 |
| Warburg (SG) | ♣□ | 615 | +15 | 615 | 403 | 1,287 | [illegible] | [illegible] |
| 8pc Cv Pf | | 212 | +5 | 212 | 137 | 98.2 | 3.8 | – |
| Wintrust | | 185 | — | 258 | [illegible] | [illegible] | 6.4 | 7.5 |

## METALS & METAL FORMING

| | Notes | Price | + or - | 1992/93 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| ASW | †□ | 130 | — | [illegible] | 80 | [illegible] | ‡ | 24.6 |
| Apollo Metals | ♣ | 119 | — | 147 | 73 | [illegible] | [illegible] | [illegible] |
| Ash & Lacy | | 101 | — | [illegible] | 128 | 42.8 | 6.5 | 13.3 |
| Barrett (H) | ‡ | 78 | — | 45 | 7 | 3.84 | ‡ | 16.2 |
| Billam (J) | ‡ | 101 | [illegible] | [illegible] | 84 | 2.88 | 3.2 | 8.3 |
| Brit Steel | K□ | 76½ | -½ | 88 | 40½ | 1,838 | 1.7 | 72.9 |
| CI | □ | 19 | — | 35 | [illegible] | 18.4 | 14.4 | 7.8 |
| Castings | | 181 | — | 185 | 118 | 34.8 | 3.4 | 11.5 |
| Chamber & Hill | | 115 | -6 | 140 | 90 | 6.40 | 7.8 | 6.9 |
| Cohen (A) | ‡ | 378 | — | 400 | 255 | 6.98 | ‡ | – |
| Cook (Wm) | ‡ | 182 | +9 | 335 | 88 | 38.8 | ‡ | 10.8 |
| Cooper (F) | □ | 89 | +2 | 89 | 22 | 21.3 | 4.4 | 66.6 |
| Doncasters | | 31 | — | 36 | 27 | 5.42 | [illegible] | [illegible] |
| Ferrals | ♣ | 40 | — | 40 | 18 | 2.38 | 3.3 | 9.1 |

[illegible]

## MISCELLANEOUS

[illegible]

## INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

## MEDIA

[illegible]

## MOTORS

[illegible]

## OIL & GAS

[illegible]

## OIL & GAS - Cont.

[illegible]

## OTHER FINANCIAL

[illegible]

## OTHER INDUSTRIALS

[illegible]

## PACKAGING, PAPER & PRINTING

[illegible]

## PACKAGING, PAPER & PRINTING - Cont.

[illegible]

## PROPERTY

[illegible]

## STORES

[illegible]

## TELEPHONE NETWORKS

[illegible]

## TEXTILES

[illegible]

## TRANSPORT

[illegible]

## WATER

[illegible]

## SOUTH AFRICANS

[illegible]

## PLANTATIONS

[illegible]

## MINES

[illegible]

## MINES - Cont.

[illegible]

## GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion.

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# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128

## AUTHORISED UNIT TRUSTS

### Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

**INITIAL CHARGE:** [illegible]

**OFFER PRICE:** [illegible]

**BID PRICE:** [illegible]

**CANCELLATION PRICE:** [illegible]

**TIME:** [illegible]

**HISTORIC PRICING:** [illegible]

**FORWARD PRICING:** [illegible]

**SCHEME PARTICULARS AND REPORTS:** [illegible]

[illegible]

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| **Sharp (Albert E) & Co (1000)F** | | | | | | |
| Admin. 5 Rayleigh Rd Hutton, Brentwood Essex | | | | | | |
| Enquiries: 0277 227300 Dealing: 0277 261010 | | | | | | |
| European | 5 | 105.20 | 105.60 | 111.20 | +0.18 | 1.70 |
| Intl Bond & Cans | 5 | 123.00 | 123.20 | 129.70 | +0.50 | 5.57 |
| Pooled Pension ♦ | 7 | 146.9 | 150.7 | 161.0 | — | — |
| Smaller Cos | 5 | 59.71 | 61.61 | 64.85 | +0.34 | 2.10 |
| UK General | 5 | 115.20 | 116.90 | 123.10 | +0.20 | 2.92 |
| **Sheppards Unit Trust Mngmt Ltd (1200)F** | | | | | | |
| 1 White Hart Yard, London Bridge SE1 071 407 5966 | | | | | | |
| Income | 5 | 382.78 | 382.78 | 407.21 | +1.55 | 5.08 |
| Global Inc | 5 | 56.24 | 56.24 | 59.83 | +0.31 | 4.07 |
| Brit Leaders | 5 | 311.22 | 311.22 | 331.08 | -1.23 | 3.10 |
| Intl Leaders | 5 | 181.97 | 181.97 | 193.58 | +1.26 | 1.70 |
| Fin Gen Bal Gwth Inc | 3¼ | 52.35 | 53.69 | 55.78 | +0.55 | 3.65 |
| **Singer & Friedlander UT Mngmt Ltd (1000)F** | | | | | | |
| PO Box 224, Beckenham, BR3 4TF 081-663 3003 | | | | | | |
| European Trust | 6 | 50.15 | 50.26 | 53.47 | +0.15 | 1.44 |
| Far Eastern Tst | 6 | 54.70 | 55.49 | 59.03 | +0.18 | 0.83 |
| Smaller Cos | 5 | 135.9 | 140.3xd | 149.2 | +1.1 | 2.23 |
| **Smith & Williamson Unit Tst Mgrs (1600)F** | | | | | | |
| 1 Riding House St, London W1A 3AS. 071-637 5377 | | | | | | |
| S & W American ♦ | 5 | 276.8 | 277.4 | 293.4 | +8.40 | 1.21 |
| S & W Capital | 5 | 112.3 | 112.3xd | 120.4 | +1.80 | 1.94 |
| S & W Cash ♦ | 0 | 102.22 | 102.22 | 102.22 | +1.04 | 6.54 |
| S & W European | 5 | 110.9 | 111.0 | 117.4 | +1.60 | 1.41 |
| S & W Far Eastern | 5 | 111.8 | 112.9 | 119.4 | +2.40 | 0.07 |
| S & W Growth | 5 | 120.3 | 121.9xd | 128.9 | +1.90 | 1.51 |
| S & W Income | 5 | 107.8 | 109.0 | 115.3 | +1.30 | 5.28 |
| S & W Magnum | 5 | 119.5 | 119.5 | 128.1 | +1.80 | 1.67 |
| S & W Smllr Secs | 5 | 287.4 | 293.8 | 310.8 | +3.60 | 0.77 |
| S & W Thoroughbred | 5 | 137.8 | 137.8xd | 147.9 | +2.30 | 1.69 |
| **Societe Generale Tauche Remnant (1200)F** | | | | | | |
| Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029 | | | | | | |
| American Gwth | 5¼ | 83.52 | 83.52 | 89.32 | +0.12 | 0 |
| Eur Sp Sits Acc | 5¼ | 43.07 | 43.07 | 45.76 | -0.57 | 0 |
| Eur Sp Sits Inc | 5¼ | 40.68 | 40.68 | 43.22 | -0.54 | 0 |
| Far East Opps Inc | 5¼ | 27.54 | 27.54 | 29.69 | -0.10 | 0 |
| Far East Opps Acc | 5¼ | 28.30 | 28.30 | 30.51 | -0.10 | 0 |
| General Growth | 5¼ | 95.48 | 95.48xd | 102.50 | -0.20 | 0 |
| General Growth Acc | 5¼ | 97.89 | 97.89 | 105.10 | -0.20 | 2.45 |
| Global Tech | 5¼ | 125.00 | 125.00 | 134.90 | +1.40 | 0 |
| Income Growth | 5¼ | 96.13 | 96.13xd | 103.40 | +0.58 | 4.00 |
| Income Growth Acc | 5¼ | 97.97 | 97.97 | 105.30 | +4.40 | 4.00 |
| Income Monthly | 5¼ | 55.23 | 55.23 | 59.06 | +0.07 | 5.31 |
| Japan Growth | 5¼ | 61.97 | 61.97 | 65.89 | -0.36 | 0 |
| Overseas Growth | 5¼ | 69.48 | 69.48 | 73.97 | -0.18 | 0 |
| Smaller Cos | 5¼ | 66.85 | 66.85 | 71.88 | -0.09 | 1.97 |
| Special Opps | 5¼ | 90.02 | 90.02xd | 96.79 | +0.46 | 2.17 |
| Wwide Sp Sit Acc | 5¼ | 42.25 | 42.25xd | 45.49 | -0.02 | 0 |
| Wwide Sp Sit Inc | 5¼ | 42.15 | 42.15xd | 45.38 | -0.02 | 0 |
| SGTR Pension Portfolio | | | | | | |
| American Growth | 6 | 50.01 | 50.82 | 53.87 | +0.07 | – |
| Eur Sp Sits | 6 | 34.63 | 34.95 | 37.05 | -0.30 | – |
| General Growth | 6 | 33.22 | 33.93 | 38.09 | -0.07 | – |
| Global Tech | 6 | 48.93 | 50.17 | 53.18 | +0.55 | – |
| Income Growth | 6 | 32.23 | 32.93 | 34.91 | +0.17 | – |
| Japan Growth | 6 | 19.39 | 19.59 | 20.77 | -0.11 | – |
| Managed Equity | 6 | | | | | – |
| Overseas Growth | 6 | 30.19 | 30.54 | 32.37 | -0.08 | – |
| Smaller Cos | 6 | 17.23 | 17.60 | 18.65 | -0.08 | – |
| Special Opps | 6 | 20.68 | 21.12 | 22.39 | +0.11 | – |
| Stlg Liquidity | 6 | 34.72 | 34.72 | 36.17 | ... | – |
| Wwide Sp Sits | 6 | 34.35 | 35.14 | 37.25 | ... | – |
| **Sovereign Unit Tst Mngrs Ltd (1000)F** | | | | | | |
| 12 Christchurch Rd, Bournemouth 0202 298422 | | | | | | |
| Cash | 1 | 50.17 | 50.17 | 50.67 | .... | 6.5 |
| Cntrld Primace | 5½ | 54.44 | 54.77xd | 58.42 | +0.22 | 7.8 |
| Ethical | 5½ | 50.16 | 51.17 | 54.43 | +0.24 | 4.5 |
| European Growth | 5½ | 54.83 | 55.03 | 58.69 | +0.38 | 3.3 |
| Income | 5½ | 50.97 | 51.43 | 54.85 | +0.32 | 6.2 |
| Intl Growth | 5½ | 73.21 | 73.55 | 78.45 | +0.32 | 3.0 |
| Managed | 5½ | 65.82 | 66.51 | 70.94 | +0.38 | 3.8 |
| UK Growth | 5½ | 54.28 | 54.91xd | 58.57 | +0.21 | 4.9 |
| **Standard Life Tst Mngmt Ltd (0730)H** | | | | | | |
| 3 George St, Edinburgh EH2 2XZ 0800 393777 | | | | | | |
| Managed Acc | 5¼ | 41.97 | 41.97 | 44.60 | +0.8 | 1.93 |
| UK Equity Gth Acc | 5¼ | 56.27 | 57.29 | 60.88 | +0.6 | 1.23 |
| UK Eq High Inc Inc | 5¼ | 34.05 | 34.05 | 36.18 | +0.7 | 4.05 |
| UK Eq High Inc Acc | 5¼ | 39.88 | 39.88 | 42.38 | +0.8 | 4.05 |
| UK Equity Gen Acc | 5¼ | 52.96 | 53.92 | 57.29 | +0.9 | 2.48 |
| UK Equity Gen Inc | 5¼ | 40.36 | 41.09 | 43.66 | +0.7 | 2.48 |

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| **Whittingdale Unit Tst Mngmt Ltd (0830)F** | | | | | | |
| 2 Honey Lane, London EC2V 8BT 071-600 0462 | | | | | | |
| Challenger | 2½ | 91.81 | 91.81 | 94.00 | -0.35 | 0.00 |
| Short Dtd Gilt | 1½ | 109.5 | 109.5 | 110.7 | +0.10 | 4.47 |
| U.S. Govmnt Bond | 2½ | 0.7085 | 0.7085 | 0.7178 | -0.006 | 0.00 |
| Gilt Income | 4 | 51.91 | 51.91 | 54.01 | -0.02 | 8.00 |
| Gilt Growth | 4 | 64.50 | 64.50 | 67.13 | -0.02 | 0.00 |
| City Reserve | 0 | 52.07 | 52.07xd | 52.07 | ... | 6.23 |
| **Woolwich Unit Trust Managers Ltd (1700)H** | | | | | | |
| 1 White Oak Square, Swanley BR8 7AG 0705 388046 | | | | | | |
| Stockmarket Fd F | 5 | 64.71 | 64.65 | 68.98 | -0.31 | 2.23 |

## OTHER UK UNIT TRUSTS

| | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|
| **Baillie Gifford & Co Ltd** | | | | |
| Int'l Exp Jan 20 | 653.6 | 674.7 | ..... | 2.83 |
| **Baring Investment Mngmt Ltd** | | | | |
| 155 Bishopsgate, London EC2M 3XY | | | | |
| 071 214 1050 (general enquiries) 071 214 1804 (dealing) | | | | |
| Charitable Funds | | | | |
| UK Growth & Income | 52.38 | 54.24 | ..... | 4.9 |
| Income Plus | 49.15 | 50.14 | ..... | 7.5 |
| **James Capel Fund Managers Ltd** | | | | |
| European Exempt | £106.267 | 107.491xd | +0.269 | 3.11 |
| Japanese Exempt | £107.241 | 108.673 | +0.906 | — |
| Managed Exempt | £128.035 | 133.285xd | -0.118 | 3.25 |
| North American Exempt | £104.043 | 105.781 | +1.053 | 1.13 |
| Pacific Exempt | £105.299 | 107.341 | +0.206 | 3.15 |
| **Cent. Bd. of Fin. of Church of England‡‡** | | | | |
| 2 Fore Street, London EC2Y 5AQ 071-588 1815 | | | | |
| Inv Fund Dec 31 | 382.90 | 386.40 | ... | 5.08 |
| Fxd Int Sec Dec 31 | 151.95 | 152.70 | ... | 9.50 |
| Deposit Fund: See Money Market Trust Funds. | | | | |
| **Charinco/Charishare‡‡ (1000)F** | | | | |
| 33 King William Street, EC4R 9AS 071-280 2800 | | | | |
| Charinco Inc | 176.6 | 178.6 | +0.30 | 9.18 |
| Charinco Acc | 1036 | 1047 | +2.00 | 9.18 |
| Charishare Inc | 186.0 | 189.9 | +0.70 | 4.21 |
| Charishare Acc | 240.7 | 245.8 | +0.80 | 4.21 |
| **CAFINVEST–Charities Aid Foundation** | | | | |
| 48 Pembury Rd, Tonbridge TN9 2JD 0732 771333 | | | | |
| Balanced Growth | 63.31 | 65.26 | ..... | 3.80 |
| Income | 59.50 | 60.62 | ..... | 7.25 |
| **COIF–Charities Official Inv Fd‡‡** | | | | |
| 2 Fore Street, London EC2Y 5AQ 071-588 1815 | | | | |
| Income Dec 31 | 575.11 | 578.96 | ..... | 5.16 |
| Accum Dec 31 | 2289.52 | 2315.66 | ..... | — |
| Fixed Int Income Dec 31 | 124.00 | 124.29 | ..... | 9.35 |
| Fixed Int Accum Dec 31 | 159.85 | 160.17 | ..... | — |
| Deposit Account: see Money Market Trust Funds | | | | |
| **Charity Fixed Int Fd/Charity Equity Fd** | | | | |
| 39 Gutter Lane EC2V 8AS 071-382 6900 (Gen Enquiries) 071-382 3919 (Dealing) | | | | |
| Charity Equity Inc | 114.52 | 117.10xd | ... | 3.80 |
| Charity Equity Acc | 117.71 | 120.30xd | -0.10 | 3.80 |
| Charity Fixed Int Inc | 104.40 | 105.50xd | ... | 8.80 |
| Charity Fixed Int Acc | 106.40 | 107.50xd | -0.10 | 8.80 |
| **Edinburgh Fund Mngrs PLC** | | | | |
| Exempt Funds | | | | |
| Managed Feb 3 | 161.3 | 168.0 | +3.6 | 3.12 |
| Japan Jan 29 | 86.17 | 88.54 | +2.95 | 0.59 |
| Sm Jap Cos Jan 29 | 414.8 | 426.2 | +4.2 | 0.12 |
| Latin American Feb 2 | 116.2 | 122.0 | +1.5 | 0.41 |
| **Fidelity Investment Services Ltd** | | | | |
| Exempt American Portfolio | 137.7 | 140.2 | +0.90 | 0.00 |
| Magd Pens P'folio | 160.1 | 164.6 | +0.10 | 0.00 |
| **Fledgeling Charity Portfolio** | | | | |
| 25 Cornhill Avenue EC2R 7DR 071-638 5858 | | | | |
| UK Equity | £1.0949 | 1.1332 | +0.0036 | 3.99 |
| Bond | £1.0065 | 1.0542 | +0.0022 | 9.34 |
| **Robert Fleming Asset Mngmt Ltd** | | | | |
| Am Exempt | £621.47 | 630.90 | ... | 1.98 |
| Gen Exempt | £143.72 | 146.72 | ... | 4.31 |

Continued on next page

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

## Prolific Life & Pensions Ltd

Stramongate Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Balanced Gwth Mngd | 670 2 | 713 0 | –2.0 | – |
| Adventurous Mngd | [illegible] | [illegible] | +0.7 | – |
| Cautious Mngd | [illegible] | 136.0 | +0.3 | – |
| Cash Fd | [illegible] | [illegible] | | – |
| Property Fund | 216.7 | [illegible] | | – |
| Equity Fund | 774 4 | 823 9 | +3.2 | – |
| Fxd. Int. Fund | 413 6 | 435.9 | +0.5 | – |
| International | 342 4 | 364.3 | +1 5 | – |
| High Income | 596.9 | 635 1 | +2.0 | – |
| Far East | 455.3 | 484 4 | +1 4 | – |
| North American | 472.0 | 502 2 | +4.1 | – |
| Special Sits | 550.5 | 585 7 | +0 2 | – |
| Technology | 481.5 | 512.3 | +3 3 | – |
| Extra Inc Fd. | 326.4 | 347.3 | +1.6 | – |
| Convertible & Gilt Fd | [illegible] | 167.9 | +0.8 | – |
| American Income | 187.2 | 199.2 | +0.2 | – |
| [illegible] | 445 6 | 474.1 | +1.5 | – |
| European Fund | 121.7 | 129.5 | +0.3 | – |
| Pref & Fixed Int. | 112 8 | 120 1 | +0.5 | – |
| UK Blue Chip | 118.2 | 124 6 | +0.1 | – |
| Recovery Fund | 116.3 | 122 6 | +0.2 | – |
| Equity Income Dist. | 108.1 | 115.1 | +0.3 | 4.88 |
| Managed Dist. | 102.0 | 108.6 | +0.3 | 5.60 |
| High Yield Dist. | 104.0 | 109.6 | +0.2 | 8.35 |
| **Pension Funds** | | | | |
| Balncd Gth Mgd Pens Acc | 784 7 | 826 0 | +2 0 | – |
| [illegible] | 173 9 | 183.1 | +0.8 | – |
| [illegible] | 146.7 | 154.5 | +0 4 | – |
| Building Soc. Acc. | 365.6 | 384.9 | | – |
| Property Pens Acc. | 295 4 | 311 0 | | – |
| Fix Int. Pens Acc | 649.3 | 683.5 | +0 8 | – |
| Equity Pens. Acc. | 1007 9 | 1061 0 | +2.8 | – |
| International Pens Acc. | 319 0 | 335.8 | +1.3 | – |
| High Inc Pens Acc | 672 9 | 708.4 | +1.9 | – |
| Tech Pens Acc. | 341 6 | 359.6 | +2.6 | – |
| N American Pens Acc. | 364.7 | 383 9 | +4 0 | – |
| Far Eastern Pens Acc. | 457 0 | 481.1 | +1 0 | – |
| [illegible] | 454 1 | 478.0 | –0.2 | – |
| Extra Income Pens Fd. | 402.1 | 423.3 | +2.0 | – |

## J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester
Telephone 0285 640302 Helpline: 041 307 6500

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| JRA/M&G [illegible] | [illegible] | 123.4 | +1.20 | – |
| JRA/Scottish Amicable Mngd | 113 3 | 119.3 | [illegible] | – |
| JRA/St James's Place Mngd | 119.9 | [illegible] | +0.50 | – |
| Deposit | [illegible] | 105 7 | | – |
| Far East | 117.1 | 123.3 | +2.90 | – |
| Gilts | [illegible] | 112.0 | +0.40 | – |
| Greater European | [illegible] | 119.3 | +0.10 | – |
| North American | 135 7 | 142.9 | +0 60 | – |
| UK Equity | [illegible] | 125.0 | +1.40 | – |
| **Pension Funds** | | | | |
| JRA/M&G Managed cap | 115.5 | 121 6 | +1.30 | – |
| JRA/M&G Managed acc | 119.6 | 125 9 | [illegible] | – |
| JRA/Scottish Amicable Mngd cap | 113 0 | 119 0 | [illegible] | – |
| JRA/Scottish Amicable Mngd acc | 117.1 | 123 3 | +2.00 | – |
| JRA/St James's Pl Mngd cap | 124.9 | 131.5 | +0 50 | – |
| JRA/St James's Pl Mngd acc | 129.3 | 136.2 | +0.50 | – |
| Deposit cap | 100.3 | 105.6 | | – |
| Deposit acc | 103.8 | 109.3 | | – |
| Far East cap | 113 4 | 119 4 | +3.20 | – |
| Far East acc | 117.5 | 123.7 | +3.30 | – |
| Gilts cap | 104.0 | 109.5 | +0.50 | – |
| Gilts acc | 107 7 | 113 4 | +0.50 | – |
| Greater European cap | 113.9 | 119 9 | +0 10 | – |
| Greater European acc | 117.9 | 124.2 | +0 10 | – |
| North American cap | 134.1 | 141.2 | –0.20 | – |
| North American acc | 138 8 | 146.2 | –0 30 | – |
| UK Equity cap | 118.8 | 125 1 | +2 40 | – |
| UK Equity acc | 123.0 | 129.5 | +2 40 | – |

## Royal Heritage Life Assurance Ltd

Peterborough Business Pk. PE2 6GG 0733 390000

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| Multi Gwth | 593.8 | | – | – |
| Multi Gwth A Cap | 388.1 | 408.5 | | – |
| Multi Gwth A Accum | 593.8 | 625.1 | | – |
| Op Prop. | 408 7 | 430.3 | | – |
| Op Equity | 869 9 | 919 7 | +3.2 | – |
| Op High Yld | 509.5 | 536.4 | +1.0 | – |
| Op Man | 708 0 | 745.3 | +2.3 | – |
| Op Dep | 370.3 | 389.8 | +0.4 | – |

## Scottish Provident Institution

## Scottish Widows' Group

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)(**)

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

# FT MANAGED FUNDS SERVICE

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## JERSEY (SIB RECOGNISED)

## LUXEMBOURG (SIB RECOGNISED)

## JERSEY (REGULATED)

## LUXEMBOURG (REGULATED)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

## MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar close to a crucial test

THE DOLLAR yesterday continued to rally towards this year's peak of DM1.65 against the D-Mark following the release of the best set of US leading indicators in 10 years, *writes James Blitz.*

The US currency had climbed nearly a pfennig against the D-Mark at one stage, after the leading indicators rose 1.9 per cent in December against economists' predictions of a 1.7 per cent gain.

The dollar's rally was also triggered by German economic indicators showing a flagging economy, and a need to stimulate economic production through lower interest rates. December industrial orders in German fell 1.8 per cent, while manufacturing output was down 2.4 per cent.

The dollar eventually closed in London at DM1.6420, up ¼ a pfennig on the day.

This week is seen as a critical test of whether the dollar can break through DM1.65 on the upside. Analysts were yesterday revising up their expectations for the January payroll figure, with at least one European bank doubling its estimate from 85,000 to 160,000.

Mr Jim O'Neill, head of research at Swiss Banking Corporation, said: "A payroll week is always big for the dollar. A lot of long-term players are in the market waiting test the currency's strength." Mr Brian Hilliard, an economist at Société Générale Strauss Turnbull, was confident that the dollar was about to surge upwards.

The dollar could gain additional strength if the Bundesbank makes a conciliatory move on short-term interest rates either today, at its weekly money market intervention, or tomorrow, at its fortnightly council meeting.

Few people expect any policy easing, because Germany's public sector wage talks will probably finish on Thursday at the earliest. These are seen by the Bundesbank as a crucial guide to the outlook on inflation.

The relaxation in tensions inside the European exchange rate mechanism has taken pressure off Germany to ease for now. The French franc yesterday traded at around FFr3.3820 to the D-Mark.

One small source of tension was that both Danish and Irish authorities were forced to intervene in the markets, selling the Irish punt, because the Danish currency was at its ERM floor against the Irish one. This was not yet seen as an important test of the system.

The dollar's strength put heavy pressure on the pound at the end of European trading, pushing it as low as $1.4400. This, in turn, pushed the Sterling Exchange Rate Index down to a new record low of 77.1 at the end of the day. The pound closed in London at $1.4460, down nearly a cent on the day. Sterling was calmer against the D-Mark for most of the day, as dealers took the view that another base rate cut may not come before the March budget. But it still closed down ½ a pfennig on the day at DM2.3750.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Feb 2 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Portuguese Escudo | 180.624 | 175.629 | -2.77 | 3.73 | 46 |
| Spanish Peseta | 142.150 | 138.298 | -2.71 | 3.67 | 47 |
| Irish Punt | 0.809996 | 0.798951 | -1.36 | 2.25 | 64 |
| Dutch Guilder | 2.20045 | 2.19160 | -0.40 | 1.27 | 23 |
| Belgian Franc | 40.2802 | 40.1323 | -0.37 | 1.23 | 21 |
| D-Mark | 1.95294 | 1.94778 | -0.26 | 1.13 | 21 |
| French Franc | 6.54988 | 6.58757 | 0.58 | 0.28 | -29 |
| Danish Krone | 7.44934 | 7.51338 | 0.86 | 0.00 | -37 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

### £ IN NEW YORK

### STERLING INDEX

### CURRENCY RATES

### CURRENCY MOVEMENTS

### OTHER CURRENCIES

### POUND SPOT - FORWARD AGAINST THE POUND

| Feb 2 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4400 - 1.4675 | 1.4455 - 1.4465 | 0.40-0.38cpm | 3.24 | 1.07-1.04pm | 2.92 |
| Canada | 1.8185 - 1.8545 | 1.8260 - 1.8270 | 0.08cpm-0.01cpm | 0.30 | 0.04-0.17dis | -0.23 |
| Netherlands | 2.6665 - 2.6910 | 2.6675 - 2.6725 | ¼-½cdis | -1.69 | 1¼-1¾dis | [illegible] |
| Belgium | 48.75 - 49.30 | 48.90 - 49.00 | 5-8cdis | -1.59 | 22-28dis | -2.04 |
| Denmark | 9.1450 - 9.2290 | 9.1560 - 9.1650 | 6½-8¼oredis | -9.66 | 13¼-17¼dis | -6.71 |

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

### EURO-CURRENCY INTEREST RATES

### EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

### LONDON (LIFFE)

### CHICAGO

### PARIS

### OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls March | Calls June | Calls September | Puts March | Puts June | Puts September |
|---|---|---|---|---|---|---|
| 111 | 2.21 | - | - | 0.07 | 0.26 | - |
| 112 | 1.26 | - | - | 0.17 | 0.43 | - |
| 113 | 0.56 | 2.24 | - | 0.39 | 0.61 | - |
| 114 | 0.17 | 1.57 | - | 0.99 | 0.94 | - |
| 115 | 0.03 | 1.03 | 1.45 | - | - | - |
| Open int. | 157,851 | 66,842 | 5,095 | 182,393 | 31,989 | 1,[illegible] |

Estimated volume 63,299 † Total Open Interest 448,988
† All Yield & Open interest figures are for the previous day.

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6 | Cyprus Popular Bank | 6 | Mount Banking | 7 |
| Allied Trust Bank | 7 | Duncan Lawrie | 6 | NatWestminster | 6 |
| AIB Bank | 6 | Equatorial Bank plc | 6 | Northern Bank Ltd | 7 |
| ●Henry Ansbacher | 6 | Exeter Bank Limited | 7 | Nykredit Mortgage Bnk | 6.5 |
| B & C Merchant Bank | 13 | Financial & Gen Bank | 7 | ●Rea Brothers | 6 |
| Bank of Baroda | 6 | ●Robert Fleming & Co | 6 | Roxburghe Bank Ltd | 6 |
| Banco Bilbao Vizcaya | 6 | Girobank | 6 | Royal Bk of Scotland | 6 |
| Bank of Cyprus | 6 | ●Guinness Mahon | 6 | ●Smith & Williamson Secs | 6 |
| Bank of Ireland | 6 | Habib Bank AG Zurich | 6 | Standard Chartered | 6 |
| Bank of India | 6 | ●Hambros Bank | 6 | TSB | 6 |
| Bank of Scotland | 6 | Hampshire Trust Plc | 13.5 | Unibank plc | 7 |
| Barclays Bank | 6 | Heritable & Gen Inv Bk | 6 | ●United Bk of Kuwait | 6 |
| Brit Bk of Mid East | 6 | ●Hill Samuel | 6 | Unity Trust Bank Plc | 6 |
| ●Brown Shipley | 6 | C. Hoare & Co | 6 | Western Trust | 6 |
| CL Bank Nederland | 6 | Hongkong & Shanghai | 6 | Whiteaway Laidlaw | 6 |
| Citibank NA | 6 | Julian Hodge Bank | 6 | Yorkshire Bank | 6 |
| City Merchants Bank | 6 | ●Leopold Joseph & Sons | 6 | | |
| Clydesdale Bank | 6 | Lloyds Bank | 6 | | |
| The Co-operative Bank | 6 | Meghraj Bank Ltd | 6 | | |
| Coutts & Co | 6 | McDonnell Douglas Bk | 6 | | |
| Credit Lyonnais | 6 | Midland Bank | 6 | | |

● Members of British Merchant Banking & Securities Houses Association

## MONEY MARKETS

# Revised expectations

THE STERLING cash and futures markets yesterday reined in expectations of another cut in UK base rates before the March budget after the British government mounted a concerted campaign to restore confidence in the pound, *writes James Blitz.*

On Monday, Downing Street denied weekend reports that the prime minister was about to drive down interest rates to stimulate economic recovery.

**UK clearing bank base lending rate 6 per cent from January 26, 1993**

The comments from Mr Major's office had little impact on sterling markets on Monday, but there was a sharp change of tone to dealing yesterday.

The March short sterling contract dropped 24 basis points in the early part of the day, falling as low as 94.28, a level which prices 3-month money at budget time at 5.72 per cent. It only recovered a small amount of lost ground in the afternoon, finishing at 94.33.

The revised view on rates was also felt in the cash market.

Three-month money closed more or less unchanged at 6¼ per cent, helped by a comparatively small shortage of £750m forecast by the Bank of England in the morning.

However, 6-month money rose on the bid side by about ⅛ per cent to close at 5⅞ per cent. With the bid rate for 1 year money closing at 5¾ per cent, the money market yield curve appeared to be levelling off yesterday.

A rising yield curve would indicate that dealers believe 5 per cent could be the eventual floor for base rates in this cycle.

Trading in French franc markets was extremely calm when set against the volatility of Monday.

The franc barely moved on the foreign exchanges and 3-month money fell back to around 12½ per cent from 13 per cent on Monday. The March French franc contract rose 32 basis points, closing at 85.55, following Monday's 23 point fall.

The market will scrutinise today's Bundebank intervention in the money markets for any sign of policy easing, though expectations of this are low.

There is a heavy call on funds because of the German tax season, and call money closed a little higher at 8.66 per cent. One money market analyst was yesterday expecting the lowest accepted repo bid for today to be in the high side, possibly in the area of 8.61 or 8.62 per cent.

### FT LONDON INTERBANK FIXING

### MONEY RATES

### LONDON MONEY RATES

# MONEY MARKET FUNDS

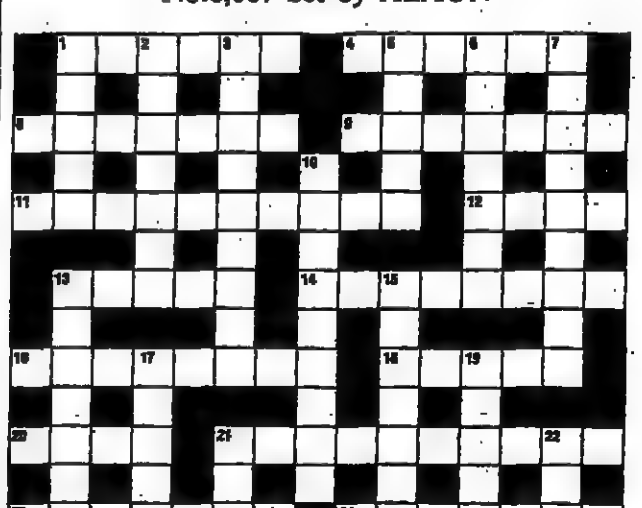
### Money Market Trust Funds

### Money Market Bank Accounts



# CROSSWORD

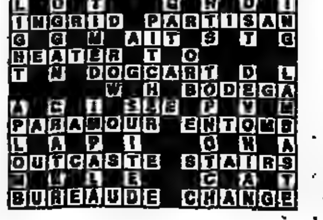
No.8,067 Set by ALAUN



ACROSS
1 Was successful as a defence lawyer but stepped down? (3,3)
4 A sweet child carrying her little animal (6)
8 Late again, owing to (7)
9 The clergymen is about to be put in the picture (7)
11 Heads for foreign parts (5,5)
12 For man or beast (4)
13 Going on holiday, she left her cases behind (5)
14 In clear language get the message (8)
16 Given to much work by superiors? (8)
18 Must have seen the figure entered in the return (5)
20 Frightened, it takes flight and the owners are broken-hearted (4)
21 Gather breaking in the back door was quite satisfactory (6,4)
23 Collapsed after a warning noise (5,2)
24 British birds and dogs (7)
25 Not keeping the sort of diary you'd enter a misdeed in (6)
26 Mean that hat mustn't be left in the cupboard (6)

DOWN
1 The Greek I have to fill in for is the benefactor (5)
2 If the SM barks at him, does he bark back? (7)
3 The taking up of nudity or the one who started it (9)
5 The bird is a female and no mistake! (5)
6 Appears at the table to have a meal (5,2)
7 You can't trust them to take the drinks salver in (9)
10 What, to be frank, the cannibal did with the vote seeker (9)
13 Always work when nothing will contain a fever that's raging (5,4)
15 Fish that has gone berserk in the angler's basket (6,3)
17 Do they never saunter out of the customs shed? (7)
19 Gives the job to, as one promises (7)
21 Check aloud, as a rule (5)
22 Open – and about time (5)

Solution to Puzzle No.8,066



# WORLD STOCK MARKETS

## JAPAN

## CANADA

TORONTO

*4 pm close February 2*

MONTREAL

*4 pm close February 2*

## INDICES

NEW YORK

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

## TOKYO - Most Active Stocks

Tuesday, 2nd February 1993

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Joyo Bank | 10.5m | 550 | +10 | NEC Corp | 2.6m | 841 | -15 |
| Isuzu Motor | 5.9m | 372 | +3 | UBE Industries | 2.3m | 355 | -3 |
| Green Cross | 5.3m | 1,280 | +50 | Aishin Seiki | 2.3m | 1,100 | -30 |
| Gajoen Kanko | 4.7m | 813 | -13 | Mitsui Eng&Shpb | 2.0m | 389 | +2 |
| Nippon Jutaki | 4.6m | 305 | -5 | Chugai Pharm | 2.0m | 1,320 | +10 |

*4 pm close February 2*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1992/93 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 15⅞ | 10¾ | AAR Corp x | 0.48 | 4.1 | 21 | 860 | 12 | 11¾ | 11¾ | -⅛ |
| 28½ | 18 | A L Labs A | 0.18 | 0.7 | 159 | 258 | 25⅝ | 25⅛ | 25½ | |
| 69¾ | 52⅝ | AMP Inc x | 1.60 | 2.8 | 20 | 444 | 57½ | 57¼ | 57⅛ | +[illegible] |
| 80¼ | 54⅜ | AMR | | | 9 | 4315 | 63⅛ | 62¾ | 62⅞ | -¼ |
| 2⅞ | 1⅜ | ARX | | | 11 | 487 | 1⅝ | 1¾ | 1⅝ | -⅛ |
| 57½ | 29⅞ | ASA | 2.00 | 5.9 | 22 | 520 | 34 | 33½ | 33⅝ | +¼ |
| 34¼ | 26⅛ | Abbott Lab | 0.60 | 2.3 | 17 | 21616 | 27½ | d26⅛ | 26⅛ | -1⅜ |
| 13⅞ | 10⅜ | Abitibi Pr | 0.50 | 4.3 | 4 | 7 | 11½ | 11½ | 11½ | |
| 11⅝ | 10⅛ | ACM Gvt In | 0.36 | 3.2 | | 261 | 11⅝ | 11¼ | 11¼ | -⅛ |
| 10⅜ | 9 | ACM GvOpp | 1.21 | 13.1 | | 155 | 9⅝ | 9¼ | 9¼ | +⅛ |
| 9¾ | 8½ | ACM Gvt Sp x | 0.80 | 8.6 | | 365 | 9¼ | 9⅛ | 9¼ | |
| 11⅜ | 9⅞ | ACM Gvt Se x | 0.96 | 8.9 | | 399 | 11 | 10¾ | 10¾ | -⅛ |
| 10⅝ | 8⅝ | ACM Man | 1.18 | 11.8 | | 174 | 10 | 9⅞ | 10 | +⅛ |
| 12⅞ | 8⅝ | ACM Managd | 0.78 | 8.5 | | 97 | 9¼ | 9⅛ | 9⅛ | |
| 11¾ | 4¾ | Acme Cleve | 0.40 | 4.6 | 18 | 72 | 8¾ | 8½ | 8¾ | +⅛ |
| 8⅞ | 3¾ | Acme Elect | | | 180 | 58 | 8¼ | 8 | 8 | -⅛ |
| 33¼ | 13½ | Acuson | | | 10 | 1116 | 14⅛ | 13⅝ | 14⅛ | +⅜ |
| 21 | 18⅛ | Adams Expr | 0.48 | 2.4 | 1 | 60 | 20⅝ | 20¼ | 20⅝ | -¼ |
| 49⅝ | 29½ | Ad Micro | 3.00 | 6.2 | | 257 | 48⅜ | 47¼ | 48⅜ | +1⅛ |
| 21½ | 7½ | Ad Micro P | 3.00 | 14.9 | 7 | 10621 | 20⅛ | 19⅜ | 20⅛ | +1 |
| 9⅛ | 4⅞ | Advest Grp | 0.16 | 2.6 | 12 | 90 | 6⅝ | 6¼ | 6¼ | -⅛ |
| 45¼ | 33 | Aegon ADR | 1.35 | 3.0 | 8 | 20 | 44⅛ | 44⅛ | 44⅜ | |
| 52⅜ | 38 | Aetna Lf x | 2.76 | 5.3 | 15 | 1418 | u52⅜ | 51¼ | 52⅛ | -⅛ |
| 14½ | 6⅜ | Ahl A | 0.24 | 2.0 | 16 | 630 | 12⅛ | 11⅞ | 12⅛ | +⅛ |
| 35¾ | 24 | Aflac | 0.44 | 1.3 | 15 | 608 | 34⅛ | 33⅝ | 34¼ | +⅝ |
| 22⅛ | 13 | Ahmanson | 0.88 | 4.4 | 9 | 1369 | 19⅞ | 19⅝ | 19⅞ | |
| 22½ | 4 | Aileen Inc | | | 10 | 114 | 6⅛ | 6 | 6 | -⅛ |
| 49½ | 38½ | Air Pr Chm | 0.86 | 1.9 | 18 | 2810 | 45⅛ | 44½ | 44½ | -¼ |
| 29¾ | 12½ | Airbne Frt | 0.30 | 1.4 | 122 | 4188 | 22½ | 20⅞ | 22⅛ | +1⅛ |
| 23 | 11¼ | Airgas Inc | | | 28 | 238 | 20½ | 20⅛ | 20⅜ | +½ |
| 12⅞ | 8⅛ | Airlease | 1.60 | 13.8 | 8 | 65 | 11⅝ | 11⅜ | 11⅝ | +⅛ |
| 104 | 99 | AlaPw8.16 | 8.16 | 8.0 | | 2 | 102⅝ | 102⅝ | 102⅝ | |
| 105 | 100¼ | Alab 8.28C | 8.28 | 8.0 | | 11 | 104 | 103 | 104 | |
| 11¼ | 10¼ | AlaPwDpPf | 0.87 | 8.5 | | 12 | 10¼ | d10¼ | 10¼ | -⅛ |
| 23⅞ | 14¾ | Alaska Air | 0.20 | 1.2 | 2 | 208 | 16¾ | 16⅝ | 16⅝ | -⅛ |
| [illegible] | | | | | | | | | | |

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]



Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

Price data supplied by Telekurs

[illegible]

# NASDAQ NATIONAL MARKET

4 pm close February 2

[illegible]

# AMEX COMPOSITE PRICES

4 pm close February 2

[illegible]

FINANCIAL TIMES Wednesday February 3 1993

AMERICA

# US blue chips ease as investors consolidate

## Wall Street

IN spite of more good economic news, US share prices were mixed across the board yesterday as investors consolidated recent gains and searched for fresh incentives to buy, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 5.67 at 3,326.51. The more broadly based Standard & Poor's 500 was down 0.94 at 441.58, while the Amex composite was 0.29 firmer at 411.92 and the Nasdaq composite was up 2.36 at 704.13. Trading volume on the NYSE was 156m shares by 1 pm.

After Monday's big advance, the market opened in a cautious mood, with blue-chip prices easing slightly as some investors took the opportunity to book profits from recent gains. Although the outlook for the economy continues to brighten, providing underlying support for stock market sentiment, yesterday's economic figures, although bullish, failed to give prices a lift.

The day's data consisted of a 1.9 per cent increase in the December leading index of economic indicators, and a 6.3 per cent gain in December new home sales. Both increases were bigger than analysts had expected, and were consistent with other recent data which have painted a picture of a recovering economy.

Equity prices may have been weighed down by the bond market, which suffered losses across the maturity range yesterday. Recent rises in bond prices have pushed interest rates to six-year lows, so any reversal in the trend was likely to lead to a negative reaction from the stock markets.

Individual stocks continued to be affected by fourth quarter earnings announcements. Tenneco climbed $1¼ to $41¼ after the natural gas, and farming and construction equipment manufacturer unveiled fourth quarter net income of $35m, up from $26m a year earlier.

Pepsico fell $¼ to $42 in busy trading after it announced fourth quarter profits of $265.6m, compared with $221m at the same stage of 1991. Both sets of figures, however, were affected by restructuring or accounting charges.

GTE held steady at $34⅝ in spite of news of a decline in final quarter profits, down from $515m in 1991 to $417m last year.

Leading drug stocks took a beating. Pfizer slipped $2¼ to $63¾ and Merck fell $1⅛ to $37½; both stocks were removed from the recommended list at Salomon Brothers, the big Wall Street securities house. The news depressed the rest of the drugs sector, with Bristol-Myers Squibb dropping $1¾ to $58, Schering-Plough giving up $2¼ at $58 and Johnson & Johnson falling $1½ to $43⅝.

Colgate-Palmolive rose $¾ to $57⅝ after it was added to the Salomon recommended list, on the grounds that the stock has growth potential.

On the Nasdaq market, Lone Star Steakhouse jumped $3⅝ to $41⅝ in busy trading after the company unveiled plans to accelerate its rate of new store openings this year. Lone Star also said that it was comfortable with analysts' forecasts that earnings would reach 85 cents a share in 1993.

## Canada

TORONTO was underpinned by continued strength in gold shares while most other sectors traded sideways. The TSE-300 index rose 4.3 to 3,315.2 by midday in volume of 18.72m shares valued at C$156m.

A 30 cents an ounce rise in gold futures lifted gold miners including American Barrick, which rose C$⅝ to C$37⅝. Lac Minerals jumped C$⅝ to C$6½ after a rise in fourth quarter earnings.

# European shipping boom still elusive

### But the strong dollar should encourage a revival, writes **Christopher Brown-Humes**

Falling freight rates and lower ship values made 1992 a grim year for most European shipping companies. Nearly all the major bulk and liner shipping groups saw their shares head downwards, including such leading concerns as Denmark's AP Möller, the Netherland's Nedlloyd, Germany's Hapag-Lloyd and Norway's Bergesen.

The current year may provide a revival, helped by a strong dollar, but the boom time that many had predicted for the 1990s remains as elusive as ever. For the bulk groups, much will depend on whether the tanker market recovers from last year's dire levels, and that in turn hinges a great deal on Opec output.

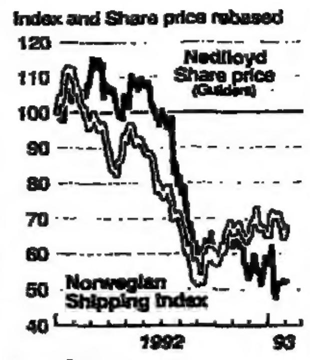
Mr Ole Slorer, shipping analyst with NatWest Securities in London, comments: "If Opec cuts its output by 1m barrels a day in the spring, the equivalent of 30 supertankers lose employment on an annual basis, so rates weaken."

Norway is one of Europe's two leading maritime nations, and the 35 per cent drop in its shipping index to 308 last year gave as clear a picture as anything of shipping company fortunes in 1992. At this level, the index is now less than a third of its peak 1,000 in early 1990.

Shares in Bergesen, the big Norwegian bulk shipping group, fell to NKr91.50 from NKr130 in 1992. The collapse in tanker market rates and the crisis in the Norwegian financial sector took the group to a NKr32m loss at the eight months stage, although it may scrape back into profit for the year as a whole.

Any move to raise vessel standards in the wake of the Braer shipping disaster in the Shetlands could well have a positive effect on a company such as Bergesen, which operates a high quality fleet of vessels. But it will not be a beneficiary if the action results in a blanket ban on ships over a certain age, because some of its ships, though well maintained, are also old.

Index and Share price rebased




Source: Datastream

Shares in AP Möller's DS 1912 fell 18 per cent from DKr95,900 to DKr79,000, a smaller decline than the overall drop in the Danish stock market. The group, Denmark's biggest listed company, was insulated from the full effect of the poor tanker market by the broad spread of its shipping activities, in addition to its substantial North Sea oil and gas production operations. As for all liner shipping groups, its prospects in 1993 will be influenced by the prospects for world economy and trade.

Nedlloyd, the Dutch shipping and transport group, was a special case, with its poor underlying performance again aggravated by its uneasy relationship with Mr Torstein Hagen, a major shareholder and a long-time critic of group strategy. Although Mr Hagen won a hard-fought battle for a place on Nedlloyd's supervisory board, the perception that financial problems might force him to sell much of his stake undermined the group's share price from mid-year onwards. This contributed to a 43 per cent fall in Nedlloyd's stock price over the year, from Fl 55.60 to Fl 31.70.

Mr Hagen has recently resigned his board position, but 1993 may be another difficult one for the Dutch company because of its exposure to the slowing German economy. The same concern surrounds Hapag-Lloyd, the German liner shipping company whose shares fell 15 per cent to DM435 from DM515 in 1992.

This year the expectation is that both bulk and liner markets will pick up, if only marginally. But whether shipping groups feel the full benefit of the trend is another matter. "Financing costs and higher vessel operating costs mean that many companies will have worse figures in 1993 than 1992", says Mr Harald Moraeus Hanssen, shipping analyst with Fearnleys in Oslo.

Shipping's perennial problem is that tonnage supply and demand are out of balance. It needs weak markets to induce significant scrapping to cut supply and push up rates. It also needs shipowners to show restraint when ordering new vessels. If this happens in 1993, then the bull market scenario will be that much nearer.

EUROPE

# Frankfurt's hopes of breakthrough recede

THE STRENGTH of the dollar had less of an impact on senior bourses yesterday than it did on Monday, *writes Our Markets Staff.*

FRANKFURT's hopes of breaking up through 1,600 on the DAX index receded as carmakers fell, an attempt to boost Siemens ran out of impetus, and some profit-taking set in. Turnover remained subdued as the DAX closed 2.07 lower at 1,583.09. Siemens stood out with heavy volume, closing DM2.40 higher at DM606.50 after DM609.

Carmakers eased as traders accepted that the fundamentals were against their recent rally. Daimler dropped DM2 to DM582.50, BMW DM5.80 to DM499 and Volkswagen DM1.80 to DM282.70, but dealers said that their losses were higher compared to Monday's strong post-bourse close on the IBIS screen trading system.

PARIS ended marginally higher with a strong feature in Matra-Hachette after an upbeat presentation from its chairman, M Jean-Luc Lagardere.

The market failed to hold an early rise above 1,800, which traders see as a firm ceiling. The CAC-40 index closed up 1.41 higher at 1,787.31 although turnover was more active than on Monday, at FFr2.37bn.

M Lagardere's media and defence group rose FFr1.50 to FFr98.50 after he forecast 1993 profits substantially higher than those of 1992, and average profits growth of 30 per cent in the period 1993-96, with turnover gaining 5 per cent a year over that time.

Auto industry stocks suffered after a 36.8 per cent drop in French car sales for January. Peugeot lost FFr3 at FFr567 but the tyremaker, Michelin, fell FFr3.40 to FFr187.10 and St Gobain, the glassmaker, by FFr13.50 to FFr484.

AMSTERDAM focused on Daf, whose shares were suspended as the loss-making truckmaker filed for protection from creditors. The shares will resume trading today but sector analysts believe that they will slide sharply from the Fl 4.55 quoted at Monday's close.

Overall, the market was mixed in slow trading which saw the CBS Tendency index 0.4 lower at 98.0.

The Daf suspension spilled over into the financial sector. ABN Amro eased 40 cents to Fl 51.70 as as investors assessed its exposure to Daf. The bank, which is DAF's main creditor, also holds an 8.24 per cent stake. However, ING, which holds 10.36 per cent of the Daf shares, edged 10 cents ahead to Fl 58.40.

Ahold, the retailer, added Fl 1.70 to Fl 92.00 as the market digested its expansion plans in Portugal and a statement from Mr Cees van der Hoeven, who becomes chairman on March 1, that the company will continue to seek large stakes in other US and European supermarket operators.

**FT-SE Actuaries Share Indices**

February 2 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1090.54 | 1091.57 | 1090.29 | 1089.06 | 1087.56 | 1089.13 | 1090.10 | 1089.43 |
| FT-SE Eurotrack 200 | 1161.43 | 1161.31 | 1159.28 | 1158.46 | 1157.51 | 1156.59 | 1157.24 | 1155.59 |

| | Feb 1 | Jan 29 | Jan 28 | Jan 27 | Jan 26 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1088.01 | 1079.18 | 1072.70 | 1072.28 | 1084.24 |
| FT-SE Eurotrack 200 | 1158.63 | 1148.15 | 1148.06 | 1147.45 | 1156.52 |

Base value 1000 (26/10/90) High/day: 100 - 1091.77 200 - 1162.55 Low day: 100 - 1087.56 200 - 1155.38

MILAN was in a more positive mood with the news that the Socialist Party had pledged full support for the administration of Prime Minister Giuliano Amato. The Comit index rose 4.10 to 491.56.

Heavy speculative activity in insurance issues was attributed both to the imminent creation of pension funds and a view that the weekend death of the Fondiaria president, Mr Camillo De Benedetti, could spark a big reshuffle in the sector.

Fondiaria rose L256 to L28,033 ahead of a statement by the chairman of AGF, the French state-controlled insurer, that it would not be buying the Italian group's 20 per cent stake in AMB, the German insurer, because it was too costly.

However, analysts noted that Mr Michel Albert left the door open for further talks, telling shareholders: "There is a price below which we could buy."

ZURICH closed narrowly mixed in moderate turnover, the SMI index ending 2.0 lower at 2,118.7

Banks saw SBC bearers SFr3 firmer at SFr330 ahead of the announcement of higher parent company profits in 1992 and an unchanged dividend.

MADRID was boosted by foreign interest in the Spanish bond market, and expectations of a cut in three-month and six-month Treasury bill yields at today's auction may also have boosted equities as the general index closed 4.26 higher at 233.98.

Volume was strong at around Pta25.5bn, almost Pta10bn of which was accounted for by put-throughs and block trades.

ISTANBUL hit a new 12 month high, the market index putting on 196.74, or 4.3 per cent to 4,748.11, up 10.9 per cent over the past three days.

Turkish equities saw heavy buying by banks and brokerages, buoyed by the banks' plans to set up mutual funds with an equity content, and by strong expectations for lower January inflation and bond auction rates this week.

## SOUTH AFRICA

INDUSTRIALS closed higher across the board, ending 18 higher at 4,543, mainly on renewed interest from local institutions. Golds retreated from the day's highs to close 5 lower at 894, but the overall index ended 19 better at 3,452.

ASIA PACIFIC

# Singapore peaks again as Nikkei edges higher

## Tokyo

WHILE share prices traded within a narrow range due to a lack of fresh news, the Nikkei average firmed on small-lot buying from foreigners and arbitrage linked purchases, *writes Emiko Terazono in Tokyo.*

The Nikkei finished 52.67 up at 17,186.31 in spite of selling by tokkin, or specified money trusts. The index moved between 17,241.60, seen in the morning session, and 17,145.78 before the close.

Volume rose to 240m shares from 175m. Advances led falls by 599 to 341, with 183 issues unchanged and the Topix index of all first section stocks gained 1.80 at 1,310.81. In London the ISE/Nikkei 50 index eased 0.92 to 1,058.63.

Traders said activity was led by the futures market, as most investors waited for the expected cut in the official discount rate. "We are expecting the cut to be as large as 0.75 percentage point now," said a trader at Nikko Securities.

Public funds buying, which pushed the Nikkei index up 4.5 per cent last week, was absent yesterday as most fund managers had placed buy orders at lower levels. In spite of the sharp rise in share prices, the Tokyo Stock Exchange said outstanding margin buying fell by Y21.1bn to Y1,401.5bn last week, its 16th consecutive decline, reflecting the absence of genuine investors.

Joyo Bank, a regional bank, was the most active issue of the day, rising Y10 to Y860. The issue was heavily cross-traded by financial institutions, realising profits on holdings without changing the composition of their portfolios.

Isuzu Motors put on Y3 at Y372 on buying by dealers. The issue has been popular on the restructuring theme. Gajoen Kanko, the financially troubled hotel and restaurant operator, which rose on Monday on dealers' buying, lost Y13 to Y213 on profit-taking.

NEC fell Y13 to Y641 on profit-taking by tokkin funds, foreigners and fund trusts. Some investors are also concerned over the company's fall in profitability due to the personal computer price wars in the Japanese market.

Kyocera, the ceramic packaging maker for integrated circuits, weakened Y80 to Y4,360 on reports that International Business Machines, of the US, had filed a patent lawsuit over Kyocera's software.

Sankyo Seiki, a music box manufacturer, surged Y64 to Y579 on rumours that it would merge with NMB Semiconductor, which is to be acquired by Nippon Steel, the leading steel maker, which owns 16 per cent of Sankyo.

In Osaka, the OSE average moved forward 113.94 to 18,569.05 in 64.7m shares, rising for the sixth consecutive trading day on individual buying.

## Roundup

THIN trading ranges seemed to be the order of the day in the region.

SINGAPORE continued its record-breaking run, the Straits Times Industrial index closing 1.24 higher at 1,645.68, the third consecutive all-time peak. Turnover of 119.62m shares compared with Monday's 104.92m.

Keppel Integrated Engineering was the most active stock, adding 10 cents at S$1.59 after a brokerage house recommended the stock. KIE announced after the market closed that it had clinched two contracts in Thailand worth about S$9m.

HONG KONG closed lower after quiet trading, with demand dampened by the lingering Sino-British dispute over Hong Kong's political reform. The Hang Seng index receded 35.25 to 5,662.53 in the wake of selling by foreign investors, while turnover rose from HK$1.7bn to HK$1.8bn.

News that Governor Chris Patten will enter hospital because of a heart ailment was released after the market closed.

HSBC Holdings was the most traded issue, rising 50 cents to HK$59.50. It was followed by its Hang Seng Bank unit, which was steady at HK$56.50 after touching a high of HK$57.50.

AUSTRALIA took little heart from an improved balance of payments and the All Ordinaries index finished just 1.1 firmer at 1,530.2 in thin volume of A$190.5m.

Trade was dominated by Westpac, which ended 3 cents ahead at A$3.00. Higher net profits announcements left Simsmetal 18 cents higher at A$2.36 and Evans Deakin 20 cents stronger at A$2.20.

MANILA drifted lower, the composite index ending down 2.79 at 1,334.73.

KUALA LUMPUR was broadly higher on a technical rebound after the recent losses.

The composite index closed a net 3.89 to the good at 628.38 after some late profit-taking had dragged prices down from the day's highs.

BANGKOK recovered from early losses as heavy buying of leading banks in the final minutes pushed the SET index ahead to end 4.05 up at 969.80.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY FEBRUARY 1 1993 | | | | | | | | FRIDAY JANUARY 29 1993 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1992/93 High | 1992/93 Low | Year ago (approx) |
| Australia (68) | 120.49 | −0.5 | 122.90 | 95.17 | 102.55 | 118.69 | +0.1 | 4.10 | 121.12 | 120.76 | 95.55 | 101.32 | 118.58 | 153.68 | 108.18 | 124.29 |
| Austria (18) | 139.63 | −0.1 | 142.42 | 110.28 | 118.83 | 118.44 | +1.4 | 1.80 | 139.80 | 139.38 | 110.29 | 116.95 | 116.80 | 186.70 | 131.16 | 190.72 |
| Belgium (42) | 140.22 | −0.3 | 143.02 | 110.74 | 119.33 | 116.53 | +1.3 | 5.18 | 140.67 | 140.26 | 110.97 | 117.67 | 115.00 | 152.27 | 131.19 | 137.54 |
| Canada (113) | 113.98 | +0.4 | 116.26 | 90.02 | 96.99 | 104.32 | −0.1 | 3.17 | 113.54 | 113.20 | 89.56 | 94.97 | 104.45 | 142.12 | 111.36 | 131.13 |
| Denmark (33) | 203.91 | −2.4 | 207.99 | 161.06 | 173.54 | 174.93 | −0.8 | 1.56 | 208.90 | 208.28 | 164.80 | 174.75 | 176.30 | 273.94 | 181.70 | 245.57 |
| Finland (23) | 67.60 | +0.0 | 68.95 | 53.39 | 57.53 | 79.94 | +1.6 | 1.76 | 67.57 | 67.37 | 53.30 | 56.52 | 78.56 | 89.80 | 52.84 | 101.43 |
| France (98) | 143.28 | −1.0 | 146.15 | 113.16 | 121.93 | 124.40 | +0.7 | 3.60 | 144.68 | 144.23 | 114.11 | 121.00 | 123.56 | 168.75 | 136.93 | 138.13 |
| Germany (62) | 105.96 | −0.8 | 108.08 | 83.70 | 90.18 | 90.18 | +0.9 | 2.53 | 106.86 | 106.55 | 84.31 | 89.39 | 89.39 | 129.69 | 101.59 | 116.98 |
| Hong Kong (55) | 227.56 | −0.8 | 232.11 | 179.73 | 193.68 | 225.91 | −0.8 | 4.00 | 229.35 | 228.67 | 180.93 | 191.87 | 227.69 | 282.28 | 176.36 | 130.95 |
| Ireland (16) | 138.08 | −2.6 | 140.84 | 109.08 | 117.51 | 130.32 | +6.3 | 4.07 | 141.74 | 141.32 | 111.81 | 118.56 | 122.64 | 173.71 | 122.98 | 145.68 |
| Italy (76) | 59.03 | −1.3 | 60.21 | 46.62 | 50.23 | 66.78 | −0.1 | 3.11 | 59.79 | 59.61 | 47.16 | 50.01 | 66.87 | 80.86 | 47.47 | 77.04 |
| Japan (472) | 104.56 | −0.1 | 106.65 | 82.58 | 89.00 | 82.58 | +0.1 | 1.00 | 104.62 | 104.31 | 82.53 | 87.52 | 82.53 | 140.95 | 87.27 | 129.28 |
| Malaysia (69) | 259.62 | +0.2 | 264.81 | 205.04 | 220.95 | 262.17 | +0.0 | 2.53 | 259.07 | 258.30 | 204.37 | 216.71 | 262.17 | 282.42 | 212.49 | 210.72 |
| Mexico (18) | 1551.31 | −0.9 | 1582.36 | 1225.27 | 1320.28 | 5261.36 | −1.6 | 1.14 | 1566.13 | 1561.48 | 1235.49 | 1310.09 | 5345.88 | 1789.77 | 1185.84 | 572.95 |
| Netherland (25) | 153.90 | −0.7 | 156.98 | 121.55 | 130.98 | 129.36 | +1.0 | 4.40 | 154.94 | 154.48 | 122.23 | 129.61 | 128.07 | 169.70 | 147.88 | 135.71 |
| New Zealand (13) | 41.66 | −0.6 | 42.49 | 32.90 | 35.46 | 43.07 | −0.1 | 5.06 | 41.92 | 41.79 | 33.07 | 35.07 | 43.11 | 48.52 | 37.39 | 45.84 |
| Norway (22) | 140.22 | −0.6 | 143.03 | 110.75 | 119.34 | 132.52 | +1.0 | 1.82 | 141.02 | 140.60 | 111.25 | 117.97 | 131.16 | 192.95 | 128.05 | 197.45 |
| Singapore (38) | 220.92 | +1.1 | 225.34 | 174.49 | 188.02 | 167.78 | +1.4 | 1.96 | 218.59 | 217.94 | 172.45 | 182.85 | 165.41 | 229.63 | 179.65 | 174.60 |
| South Africa (60) | 159.33 | −0.8 | 162.52 | 125.84 | 135.60 | 165.44 | +0.0 | 3.08 | 160.69 | 160.21 | 126.76 | 134.42 | 165.48 | 263.60 | 134.21 | 180.41 |
| Spain (47) | 124.58 | −1.4 | 127.08 | 98.40 | 106.03 | 109.48 | +0.0 | 5.53 | 126.41 | 126.04 | 99.73 | 105.74 | 109.51 | 161.72 | 107.10 | 152.48 |
| Sweden (36) | 152.77 | +0.0 | 155.83 | 120.66 | 130.02 | 168.77 | +2.3 | 2.54 | 152.82 | 152.37 | 120.56 | 127.84 | 165.04 | 200.28 | 149.69 | 185.02 |
| Switzerland (56) | 111.11 | −1.0 | 113.34 | 87.77 | 94.58 | 104.53 | +1.1 | 2.05 | 112.22 | 111.89 | 88.54 | 93.88 | 103.35 | 122.37 | 95.99 | 95.20 |
| United Kingdom (226) | 167.05 | −0.7 | 170.40 | 131.93 | 142.16 | 170.40 | +1.6 | 4.37 | 168.22 | 167.72 | 132.69 | 140.71 | 167.72 | 200.07 | 161.86 | 171.32 |
| USA (522) | 180.96 | +0.9 | 184.58 | 142.93 | 154.01 | 180.96 | +0.9 | 2.79 | 179.34 | 178.81 | 141.48 | 150.03 | 179.34 | 180.96 | 160.92 | 141.14 |
| Europe (780) | 134.83 | −0.8 | 137.53 | 106.49 | 114.75 | 127.10 | +1.2 | 3.71 | 135.94 | 135.54 | 107.25 | 113.72 | 125.63 | 156.88 | 131.31 | 139.71 |
| Nordic (114) | 144.25 | −0.7 | 147.14 | 113.94 | 122.77 | 140.65 | +1.3 | 2.17 | 145.25 | 144.82 | 114.58 | 121.50 | 138.80 | 188.52 | 141.24 | 181.50 |
| Pacific Basin (715) | 109.26 | −0.1 | 111.45 | 86.30 | 92.99 | 88.16 | +0.0 | 1.36 | 109.37 | 109.05 | 86.28 | 91.49 | 88.13 | 141.87 | 93.70 | 128.83 |
| Euro Pacific (1495) | 119.60 | −0.4 | 121.99 | 94.46 | 101.78 | 103.67 | +0.6 | 2.44 | 120.12 | 119.76 | 94.75 | 100.48 | 103.10 | 145.21 | 113.80 | 133.61 |
| North America (635) | 176.81 | +0.9 | 180.35 | 139.67 | 150.50 | 175.77 | +0.9 | 2.81 | 175.27 | 174.75 | 138.26 | 146.64 | 174.27 | 176.81 | 158.70 | 140.44 |
| Europe Ex UK (554) | 115.23 | -0.9 | 117.53 | 91.03 | 98.09 | 103.58 | +0.9 | 3.25 | 116.29 | 115.94 | 91.76 | 97.30 | 102.70 | 132.98 | 111.33 | 120.34 |
| Pacific Ex. Japan (243) | 155.46 | −0.4 | 158.57 | 122.80 | 132.32 | 144.98 | +0.9 | 3.67 | 156.05 | 155.58 | 123.12 | 130.55 | 145.21 | 175.31 | 146.06 | 122.95 |
| World Ex US (1686) | 120.73 | -0.4 | 123.15 | 95.36 | 102.75 | 105.64 | +0.5 | 2.46 | 121.24 | 120.88 | 95.65 | 101.42 | 105.11 | 146.91 | 115.99 | 134.24 |
| World Ex. UK (1982) | 137.51 | +0.2 | 140.27 | 108.62 | 117.05 | 124.72 | +0.6 | 2.40 | 137.18 | 136.77 | 108.23 | 114.77 | 124.02 | 150.58 | 127.21 | 132.05 |
| World Ex So. Af (2148) | 140.06 | +0.2 | 142.88 | 110.63 | 119.21 | 128.38 | +0.7 | 2.60 | 139.84 | 139.43 | 110.33 | 116.99 | 127.51 | 153.05 | 130.04 | 135.27 |
| World Ex. Japan (1736) | 160.15 | +0.2 | 163.35 | 126.50 | 136.32 | 155.68 | +0.9 | 3.14 | 159.80 | 159.33 | 126.08 | 133.70 | 154.32 | 165.40 | 151.93 | 140.14 |
| The World Index (2208) | 140.09 | +0.1 | 142.89 | 110.65 | 119.23 | 128.73 | +0.7 | 2.60 | 139.88 | 139.47 | 110.36 | 117.02 | 127.87 | 153.70 | 130.68 | 135.54 |



Latest prices were unavailable for this edition. Malaysian market closed February 1.